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U.S. Congress. House.

Title:

**To create a world
commerce corporation**

Place:

Washington, D.C.

Date:

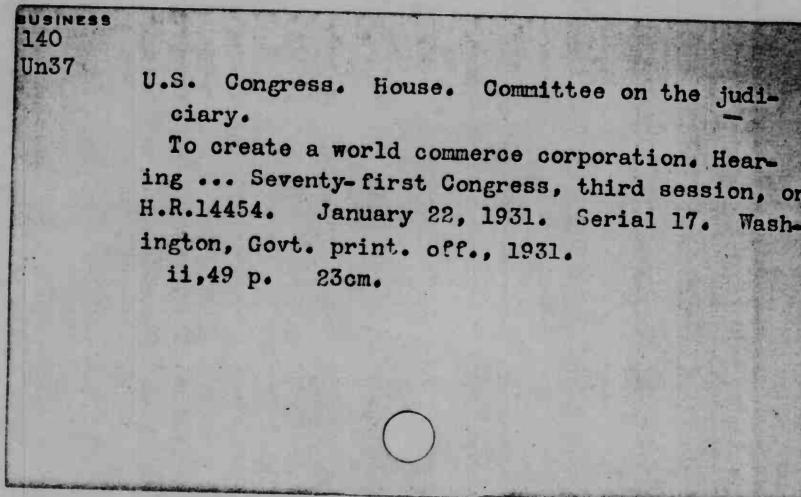
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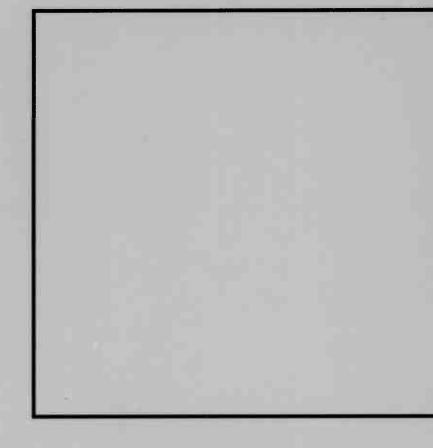
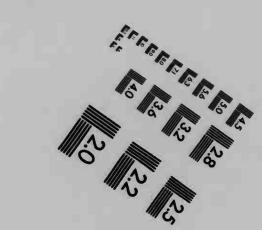
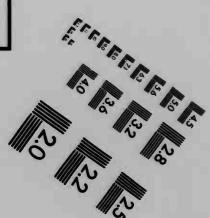
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U.S. Congress. House.
Committee on the judiciary

To create a world
commerce corporation.

Hearings.

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TO CREATE A WORLD COMMERCE
CORPORATION

Business

HEARING
BEFORE THE
COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS
THIRD SESSION

ON

H. R. 14454

JANUARY 22, 1931

Serial 17



019 in st

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1931

41886

TO CREATE A WORLD COMMERCE
CORPORATION

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SEVENTY-FIRST CONGRESS

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TO CREATE A WORLD COMMERCE CORPORATION

THURSDAY, JANUARY 22, 1931

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 2 OF THE
COMMITTEE ON THE JUDICIARY
Washington, D. C.

The subcommittee met at 2 o'clock p. m., Hon. Charles A. Christopherson (chairman) presiding.

Mr. CHRISTOPHERSON. We shall take up for consideration H. R. 14454. Congressman Celler, the proponent of the bill, is here, and we shall be glad to hear from him. The bill, H. R. 14454, follows:

[H. R. 14454, Seventy-first Congress, third session]

A BILL To further the commerce of the United States by creating the World Commerce Corporation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Robert L. Luce, Horace B. Rogers, Eugene Mackey, Harry H. Atkinson, Leonidas D. Smith, and such other persons as may be associated with them, and their successors, are created a body politic

and corporate by name, style, and title of the World Commerce Corporation, and by that name shall have perpetual succession, and have power to sue and be sued, plead and be impleaded, defend and be defended, in all courts of law and equity within the United States and any and all foreign countries, subject to the laws of the United States and of such foreign countries, and adopt and have a common seal.

This corporation is formed to serve the industries of the United States by—
 (A) Organizing, operating, and maintaining a clearing house for commerce, through which a world-wide distribution of products can be made;

(B) Establishing, operating, and maintaining foreign-trade zones in or adjacent to ports of entry under the jurisdiction of the United States;

(C) Erecting, operating, and maintaining shipping terminals with all necessary equipment, including storage houses and fuel stations, and serving all means of transportation;

(D) Controlling reserves of natural resources that will supply ships with return cargoes and stabilize prices of raw materials, which the industries of the United States must obtain from abroad;

(E) Organizing selling and purchasing agencies throughout the world with clearing facilities for manufacturers, merchants, exporters, importers, and citizens of the United States for all kinds of commercial transactions; and

(F) Furnishing loans and credits through banks or directly to corporations, firms, and individuals and to manufacturers, merchants, exporters, and importers.

And to advance and carry out the foregoing purpose this corporation is formed with the objects of doing any and all of the things hereinabove set forth to the same extent natural persons might or could do them, namely:

To own, buy, sell, build, operate, mortgage, and charter vessels and vehicles of any and all kinds; to carry on a general merchandising, exporting, and importing business; to purchase or otherwise acquire and to hold, deal in, guarantee, convey, operate, lease, mortgage, and pledge bonds, debentures, notes, shares of capital stock of other corporations, and real and personal property of every nature and kind deemed necessary, useful, or convenient in connection with the business and powers of the corporation; and do any and all acts or things incidental thereto or necessary, useful, or convenient to the corporation and the exercise by it of its several powers;

To borrow money for any purpose and in any amount and for any length of time, and make, execute, and issue bonds, notes, debentures, certificates, or rights of indebtedness, in such amount or amounts and upon such terms as the board of directors of the corporation may fix, and secure the same by mortgage, deed of trust or pledge of any or all of the property, real, personal, or mixed;

To make and enter into contracts of every nature and kind and the same to keep and perform and to keep continuously advised upon commercial, financial, and legal matters which, in the opinion of the corporation, affect interstate or foreign commerce or agricultural products, derivatives, or fabrications thereof; and

To determine by surveys whether there exists, or may exist, during the ensuing twelve months a surplus in excess of normal domestic requirements of any commodity produced in the United States and, upon its own initiative, to act as a common marketing agent in the interest of the producers of such commodity or commodities.

SEC. 2. This corporation is authorized to issue debentures exempt from Federal and State taxes in a total amount not to exceed \$1,000,000,000 maturing in fifty years from date of issue, bearing interest at the rate of 5 per centum per annum, and equally secured under a collateral deed of trust to be made by the corporation to a national bank or trust company as trustee.

SEC. 3. The total authorized capital stock of this corporation shall be ten million shares of the par value of \$100 each, the same to be classed and issued as common stock, and each share to entitle the holder thereof to one vote. The capital stock may be increased from time to time, as may be necessary for the general purposes of the corporation.

All shares of stock shall be personal property transferable on the books of the corporation only.

The stockholders shall not be liable in any event for any indebtedness or other obligations incurred by the corporation.

SEC. 4. That the above-named incorporators shall have power and authority to make such by-laws as they deem proper, useful, or convenient for carrying out the objects of the corporation, for the management of its business affairs, for the disposition of its properties and assets, the enforcement of its rights, provide for the terms of office and the powers, authority, and duties of its officers,

directors, agents, servants, and employees, provide the manner by which the capital stock may be increased and designate within the United States the principal office at which stockholders' and directors' meetings shall be held. The board of directors shall have the power and authority from time to time, at its pleasure, to modify, amend, or repeal the by-laws whenever it considers it advisable: *Provided*, That such by-laws shall not conflict with any laws of the United States.

Sec. 5. That the stock, property, and affairs of this corporation shall be managed by a board consisting of not more than ninety-nine nor less than three directors, as may from time to time be provided for in the by-laws, all of whom shall be citizens of the United States. They shall elect from their own number a president and chairman of the board, and either from their own number or partly from their own number and partly from persons not directors, one or more vice presidents. They shall also elect a secretary and treasurer, who need not be directors. They may appoint one or more assistant secretaries and one or more assistant treasurers and such officers, agents, managers, servants, and employees as they may deem necessary, who shall hold the office during the pleasure of the board and no longer.

The board of directors may also appoint an executive committee and such other standing or special committee with such powers and authority as may be fixed or permitted by the by-laws or by the board at the time of their appointment.

Sec. 6. That the incorporators in this act shall be the first board of directors from the organization of the corporation and shall hold office until their successors are elected, and thereafter annual elections of directors shall be held by the stockholders at meetings fixed by the by-laws and to be called for that purpose, and at such annual election a majority of the holders of the outstanding common stock, present in person or by proxy, shall constitute a quorum, and such quorum by a plurality vote shall elect the directors.

Directors of the corporation shall hold office until the next annual meeting and until their successors are elected and qualified. Vacancies in the board may be filled as provided in the by-laws. A majority of the members in the board of directors, duly elected and qualified, shall constitute a quorum at any meeting thereof.

At any regular or special meeting of the stockholders, called for that purpose, any one or all of the board of directors may be removed and their office or offices declared vacant by a majority vote of the stockholders.

Sec. 7. That when used in this act—

The term "Secretaries" means the Secretary of War, the Secretary of Commerce, and the Secretary of the Treasury.

The term "zone" means a "foreign-trade zone" as provided in this act.

The term "corporation" means the World Commerce Corporation formed by this act.

Sec. 8. The Secretaries are hereby authorized, subject to the conditions and restrictions of this act and of the rules and regulations made thereunder, upon application as hereinafter provided, to grant to the corporation the privilege of establishing, operating, and maintaining foreign trade zones in or adjacent to ports of entry under the jurisdiction of the United States. Not more than one zone shall be authorized in or adjacent to any port of entry, except that when a port of entry is located within the confines of more than one State, a zone may be authorized in each State in the territory comprised in such port of entry.

Sec. 9. Foreign and domestic merchandise of every description, except such as is prohibited by law, may without being subject to the custom laws of the United States, except as otherwise provided in this act, be brought into a zone and there stored, exhibited, broken up, repacked, assembled, distributed, sorted, refined, graded, cleaned, mixed with foreign or domestic merchandise, or otherwise manipulated and be exported, and foreign merchandise may be sent into custom territory of the United States therefrom, in the original package or otherwise; but when foreign merchandise is so sent from a zone into custom territory of the United States it shall be subject to the laws and regulations of the United States affecting imported merchandise: *Provided*, That when the privilege has been requested the Secretary of the Treasury is hereby authorized upon being indemnified to issue permits and make rules and regulations whereby foreign merchandise may be sent from a zone into customs territory of the United States and there manufactured, assembled, refined, mixed with other merchandise, or otherwise manipulated and within twelve months from date of issuing permit returned to the zone and exported without payment of duty and all decisions of the Secretary of the Treasury in refusing to issue a permit or cancelling of one already issued

shall be final and conclusive: *Provided further*, That subject to such regulations respecting identity and the safeguarding of the revenue as the Secretary of the Treasury may deem necessary, articles, the growth, product, or manufacture of the United States, and articles previously imported on which duty has been paid, or which have been admitted free of duty, may be taken into a zone from the customs territory of the United States and may be brought back thereto free from duty, whether or not they have been combined with or made part, while in such zone, of other articles: *And provided further*, That if in the opinion of the Secretary of the Treasury their identity has not been lost such articles not entitled to free entry by reason of noncompliance with the requirements made hereunder by the Secretary of the Treasury shall be treated when they reenter the custom territory of the United States as foreign merchandise under the provisions of the tariff laws in force at that time.

SEC. 10. The Secretary of the Treasury shall assign to the zone the necessary customs officers and guards to protect the revenue and to provide for the admission of foreign merchandise into customs territory.

SEC. 11. Vessels entering or leaving a zone shall be subject to the operation of all the laws of the United States, except as otherwise provided in this act, and vessels leaving a zone and arriving in customs territory of the United States shall be subject to such regulations to protect the revenue as may be prescribed by the Secretary of the Treasury.

SEC. 12. Each application shall state in detail—

(1) The location and qualifications of the area in which it is proposed to establish a zone showing (a) the land and water, or land or water area, or land area alone if the application is for its establishment in or adjacent to an interior port; (b) the means of segregation from customs territory; (c) the fitness of the area for a zone; and (d) the possibilities of expansion of the zone area;

(2) The facilities and appurtenances which it is proposed to provide and the preliminary plans and estimate of the cost thereof, and the existing facilities and appurtenances which it is proposed to utilize;

(3) The time within which the corporation proposes to commence and complete the construction of the zone and facilities and appurtenances; and

(4) Such other information as the Secretaries may require.

The Secretaries may upon their own initiative or upon request permit the amendment of the application. Any expansion of the area of an established zone shall be made and approved in the same manner as an original application.

SEC. 13. If the Secretaries find that the proposed plans and location are suitable for the accomplishment of the purpose of a foreign-trade zone under this act, and that the facilities and appurtenances which it is proposed to provide are sufficient, they shall make the grant. The decision of the Secretaries shall be final as to the grant of the application.

SEC. 14. The Secretaries shall prescribe such rules and regulations, not inconsistent with the provisions of this act or the rules and regulations of the Secretary of the Treasury made hereunder, as may be necessary to carry out this act.

SEC. 15. The Secretaries and the corporation shall cooperate with the State and any subdivision thereof and any municipality in which the zone is located, in the exercise of their police, sanitary, and other powers in and in connection with the zone. They shall also cooperate with the United States Custom Service, the Bureau of Immigration, and such other Federal agencies as have jurisdiction in ports of entry.

SEC. 16. For the purpose of facilitating the investigation of the Secretaries and their work in the granting of the privilege in the establishment, operation, and maintenance of a zone, the President may direct the executive departments and other establishments of the Government to cooperate with the Secretaries, and for such purposes each of the several departments and establishments are authorized, upon direction of the President, to furnish to the Secretaries such records, papers, and information in their possession as may be required by them, and temporarily to detail to the service of the Secretaries such officers, experts, or engineers as may be necessary.

SEC. 17. If the title to or right of user of any of the properties to be included in a zone or a shipping terminal and that which may be needed for rights of way, waterways, railways, roads, and executive purposes in connection with the same, is in or under the jurisdiction of the United States, then the department or officer of the United States having control of same is hereby authorized to sell or lease such properties to the corporation for those purposes, and where the title has not been vested in a department of the United States the Secretary of War is hereby authorized to make an agreement with the corporation for the use of such prop-

erties: *Provided*, That in his opinion navigation in the surrounding waters will not be affected.

SEC. 18. If the title to or right of user of any of the properties to be included in a zone or a shipping terminal and that which may be needed for right of ways, waterways, railways, roads, and executive purposes in connection with same is not vested in the United States, the corporation shall provide for the payment of the purchase price of such properties to the Secretary of War, who is hereby authorized to acquire the properties by purchase, condemnation, or otherwise, in the name of the United States and convey same to the corporation.

SEC. 19. The corporation shall provide and maintain in connection with the zone—

(a) Adequate slips, docks, wharves, warehouses, loading and unloading and mooring facilities where the zone is adjacent to water; or, in the case of an inland zone, adequate loading, unloading, and warehouse facilities;

(b) Adequate transportation connections with the surrounding territory and with all parts of the United States, so arranged as to permit of proper guarding and inspection for the protection of the revenue;

(c) Adequate facilities for coal, oil, or other fuel and for light and power;

(d) Adequate water and sewer mains;

(e) Adequate quarters and facilities for the officers and employees of the United States, State, and municipality whose duties may require their presence within the zone;

(f) Adequate inclosures to segregate the zone from custom territory for protection of the revenue, together with suitable provisions for ingress and egress of persons, conveyances, vessels, and merchandise; and

(g) Such other facilities as may be required by the Secretaries acting jointly.

SEC. 20. The corporation may with the approval of the Secretaries and under reasonable and uniform regulations for like conditions and circumstances to be prescribed by them, permit private persons, firms, corporations, or associations to erect such buildings and other structures within the zone as will meet their particular requirements: *Provided*, That such permission shall not constitute a vested right as against the United States nor interfere with the regulations of the corporation or the permittee by the United States, nor interfere with or complicate the revocation of the grant by the United States: *Provided further*, That in the event of the United States or the corporation desiring to acquire the property of the permittee no good will shall be considered as accruing from the privilege granted to the zone: *And provided further*, That such permits shall not be granted on terms that conflict with the public use of the zone as set forth in this act.

SEC. 21. Each zone shall be operated as a public utility, and all rates and charges for all services or privileges within the zone shall be fair and reasonable, and the corporation shall afford to all who may apply for the use of the zone and its facilities and appurtenances uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments and the cost of maintaining the additional customs service required under this act shall be paid by the operator of the zone.

SEC. 22. No persons shall be allowed to reside within the zone except Federal, State, or municipal officers or agents, guards, watchmen, and agents of the corporation whose resident presence is deemed necessary by the Secretaries.

The corporation shall prescribe rules and regulations regarding employees and other persons entering and leaving the zone. All rules and regulations concerning the protection of the revenue shall be approved by the Secretary of the Treasury.

The Secretaries or the corporation may at any time order the exclusion from the zone of any goods or process of treatment that in their judgment is detrimental to the public interest, health, or safety.

No retail trade shall be conducted within the zone except under permits issued by the corporation and approved by the Secretary of the Treasury. Such permittees shall sell no goods except such as are brought into the zone from customs territory.

SEC. 23. The form and manner of keeping the accounts of each zone shall be prescribed by the Secretaries.

SEC. 24. The grants shall not be sold, conveyed, transferred, set over, or assigned.

SEC. 25. In the event of repeated violations of any of the provisions of this act by the corporation, the Secretaries, or a majority of them, may revoke the grant after four months' notice to the corporation and affording it an opportunity

to be heard. The testimony taken before the Secretaries shall be reduced to writing and filed in the records of the Department of Commerce, together with the decision reached thereon.

In the conduct of any proceeding under this section for the revocation of a grant the Secretaries may compel the attendance of witnesses and the giving of testimony and the production of documentary evidence and for such purpose may invoke the aid of the district courts of the United States.

An order under the provision of this section revoking the grant issued by the Secretaries shall be final and conclusive, unless within ninety days after its service the corporation appeals to the circuit court of appeals for the circuit in which the zone is located by filing with the clerk of said court a written petition praying that the order of the Secretaries be set aside. The clerk of the court in which such a petition is filed shall immediately cause a copy thereof to be delivered to the Secretaries and they shall forthwith prepare, certify, and file in the court a full and accurate transcript of the record in the proceedings held before them under this section, the charges, the evidence, and the order revoking the grant. The testimony and evidence taken or submitted before the Secretaries, duly certified and filed as a part of the record, shall be considered by the court as the evidence in the case.

On such appeal the court shall review the record of proceedings before the Secretaries, and, if a decision of said Secretaries shall be supported by evidence, shall only make decision on errors of law.

SEC. 26. In case of a violation of this act, or any regulation of the Secretaries under this act, by the corporation, any officer, agent, or employee thereof responsible for or permitting any such violation shall be subject to a fine of not more than \$1,000. Each day during which a violation continues after the Secretaries have served notice on the corporation to stop such violation shall constitute a separate offense.

SEC. 27. Any national banking association may invest in the stock or other securities of the corporation, under the provisions of this act.

SEC. 28. Any governmental establishment in the executive branch of the Government is authorized to act as agents of the corporation in the administration of the functions vested in it by this act, and the President may, by Executive order, direct any governmental establishment to assist the corporation in its functions under the provisions of this act, and to furnish such information and data pertaining to same as may be contained in the records of such governmental establishment.

The order of the President shall define the assistance to be given and provide such limitations as to the use of the information and data as he deems advisable.

SEC. 29. The corporation shall make to the Secretaries, annually and at such times as they may prescribe, reports containing a full statement of its operations of each zone, together with a financial statement of the corporation, with the names and addresses of its officers and directors, to be signed by its president, vice president, or secretary, and such other information as the Secretaries may require.

The Secretary of Commerce shall make a report to Congress on the first day of each regular session containing a summary of the operations of each zone and transmit therewith copies of the annual report of the corporation.

If any provision of this act or the application of such provision to certain circumstances be held invalid, the remainder of the act and the application of such provisions to circumstances other than those as to which it is held invalid shall not be affected thereby.

SEC. 30. The right to alter, amend, or repeal this act is hereby reserved.

SEC. 31. This act may be cited as the World Commerce Corporation act of 1931.

STATEMENT OF HON. EMANUEL CELLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. CELLER. Mr. Chairman and members of the committee, I desire to put in the record a letter addressed to me by former Supreme Court Justice of the Supreme Court of the State of New York Robert L. Luce indicating his views on this bill. Judge Luce is one of the original incorporators whose names appear in the bill. It is a brief letter and I should like to have it placed in the record.

Mr. CHRISTOPHERSON. It may be put in the record.

MARCH 6, 1930.

Hon. EMANUEL CELLER,
Member of Congress,
Washington, D. C.

DEAR MR. CELLAR: The bill to create the World Commerce Corporation (H. R. 9635) which you have introduced, is a measure that will serve the industries of the entire country.

Buying and selling agencies will be maintained in all the principal markets of the world, which will further the sales of the products of this country.

Arrangements will be made whereby products will be paid for against bills of lading, and the debenture issue exempt from taxation will provide the corporation with a revolving fund with which it can extend all necessary commercial credit, charging only 6 per cent interest, and not limited by the commercial necessities of the ordinary banks of discount and credit.

Shipping bases and fuel stations, and warehouses will be established at locations so as to serve the commerce of all countries, and properties will be owned and controlled, containing great quantities of natural resources, the products from which will be assembled at the shipping bases supplying cargoes from American ships returning from any port in the world; this will insure the financial success of the mercantile marine of this country.

The control of this great reserve of resources will prevent the industries of this country from having to pay exorbitant prices to foreign monopolies for the products which must be obtained from abroad.

The foreign trade zones as provided for in this bill will be terminals for clearing merchandise, and the restrictions placed on same will prevent their use as a storage for foreign merchandise to be dumped on the market of this country when most disadvantageous to American interests.

The passage of this bill will give the World Commerce Corporation proper legal standing in all countries of the world, which no corporation organized under State laws has, due to the constitutional provisions which prohibit States from having diplomatic representatives in other countries.

Through the corporation, the markets of the world will be at the disposal of every industry in this country, and stabilized prices will be maintained for products, which will prevent unemployment and industrial depression such as the entire country is now having.

The people of every State are looking to Congress to do something to help the present serious situation, and the passage of this bill will give the permanent help needed.

I can not urge too strongly upon you the necessity of early action upon this bill, and request you to see the other members of the Judiciary Committee, and have them join with you in reporting the bill out, so that it can be passed by the House at the earliest possible date. The country needs it, and the people are anxiously waiting for something to be done which will give relief to the present situation.

Cordially yours,

ROBERT L. LUCE.

H. R. 9635

SUMMARIZED STATEMENT BY ROBERT L. LUCE, EX-JUSTICE OF THE SUPREME COURT OF NEW YORK CITY

A BILL To create the World Commerce Corporation has been introduced in the House of Representatives of the United States and referred to the Committee on the Judiciary

SPECIAL PROVISIONS

1. World Commerce Corporation created by act of Congress will have the prestige of the United States, and have legal standing throughout the world equal to that of federal corporations of other countries.

2. Foreign-trade Zones, as provided in this bill, will permit the establishment and operation of terminals for storing and clearing products for export, without going through the usual custom regulations.

NOTE.—The other provisions provided for in the bill would be allowed to corporations organized under the laws of a State.

BASIC OBJECTS

1. Establish, operate, and maintain a clearing house for commerce, through which a world-wide distribution of products can be made.
2. Control reserves of natural resources, which will supply ships with return cargoes, and stabilize prices of raw materials, which the industries of the United States must obtain from abroad.
3. Engineering and research department will be established and maintained which will keep the industries of the United States supplied with technical information on new inventions, and will prepare plans for the improvement of internal waterways, for the conservation of soil, and other resources, and other technical matters.

NOTE.—The other provisions provided in the bill are auxiliaries in furthering the three basic objects.

GENERAL INFORMATION

World Commerce Corporation is being organized to serve the industries of the United States, and with its creation by act of Congress, it can sue in the markets of all countries, permitting it to act directly as foreign representatives of the industries of this country.

This is now done largely through foreign institutions, as corporations organized under the laws of a State, are limited in their foreign operations due to the constitutional provisions which prohibit States from having diplomatic representation with other countries.

Buying and selling agencies will be maintained in all the principal markets of the world, which will further the sales of the products of this country.

Shipping bases with fuel stations, and warehouses, will be established and maintained at locations so as to serve the commerce of all countries.

Properties containing great quantities of natural resources, will be owned and controlled, and the products from same will be assembled at the shipping bases, supplying cargoes for ships. These cargoes with the service of the shipping bases, will enable the mercantile marine of the United States to operate successfully to all ports of the world.

Foreign trade zones as provided for in the bill, will supply clearing terminals for both domestic and foreign commerce, without the usual custom regulations.

The restrictions under the bill for establishing a foreign trade zone, insures its proper location, and materials coming into this country from a foreign trade zone will be subject to the custom laws and regulations at the time of their entry.

Financial arrangements will be made in all countries whereby purchases of materials can be paid for against bills of lading, and the tax exemption of the debenture issue will permit the extending of credits at 6 per cent interest in clearing foreign transactions.

These credits will be established through local banks, and will not be limited as to time or amount, as in the case of the ordinary bank loans.

The Engineering and Research Department will develop new inventions, and obtain information throughout the world affecting commerce.

Plans will be made for improving the internal waterways in connection with the foreign trade zones, and conservation of natural resources, and all other matters affecting commerce.

The passage of the bill will create an organization through which commercial ties will be maintained between this and all other countries making a stabilized commerce throughout the world.

Mr. CELLER. There may be some question as to the right or policy of Congress to incorporate a concern or a corporation known as the World Commerce Corporation. Anticipating any questions that might arise as to the right or policy of Congress to incorporate by its own act, I have here, which I would like to put into the record, a list of incorporations by act of Congress from 1906 down to 1928, prepared for me by the Legislative Reference Service of the Library of Congress.

INCORPORATIONS BY ACT OF CONGRESS, 1906-1928

- Act of March 10, 1906 (34 Stat. 59-61). Carnegie Foundation for the Advancement of Teaching.
- Act of April 16, 1906 (34 Stat. 117, c. 1632). Great Council of the United States of the Improved Order of Red Men.
- Act of May 1, 1906 (34 Stat. 161, c. 2074). American Cross of Honor.
- Act of May 1, 1906 (34 Stat. 162-163). The Edes Home.
- Act of May 26, 1906 (34 Stat. 203, c. 2560). Archaeological Institute of America.
- Act of June 9, 1906 (34 Stat. 227-228). National Society of the Sons of the American Revolution.
- Act of June 30, 1906 (34 Stat. 804-808). National Education Association of the United States.
- Act of June 30, 1906 (34 Stat. 809-814). Lake Erie & Ohio River Ship Canal Co.
- Act of January 31, 1907 (34 Stat. 867). International Sunday School Association of America.
- Act of February 21, 1907 (34 Stat. 914, c. 1180). National Child Labor Committee.
- Act of February 25, 1907 (34 Stat. 928). National German-American Alliance of the United States of America.
- Act of March 2, 1907 (34 Stat. 1226, c. 2532). Hungarian Reformed Federation of America.
- Act of May 30, 1908 (35 Stat. 475). Brotherhood of St. Andrew.
- Act of May 30, 1908 (35 Stat. 476-478). Congressional Club.
- Act of February 25, 1909 (35 Stat. 646, c. 190). Imperial Palace, Dramatic Order Knights of Khorassan.
- Act of March 4, 1911 (36 Stat. 1361-1362). National McKinley Birthplace Memorial Association.
- Act of May 9, 1912 (37 Stat. 108-109). American Numismatic Association.
- Act of August 21, 1912 (37 Stat. 322-323). Naval History Society.
- Act of January 30, 1913 (37 Stat. 654-655). American Hospital of Paris.
- Act of February 4, 1913 (37 Stat. 660-662). National Institute of Arts and Letters.
- Act of March 3, 1915 (38 Stat. 954-955). Ellen Wilson Memorial Home.
- Act of April 17, 1916 (39 Stat. 51, c. 77). American Academy of Arts and Letters.
- Act of June 17, 1916 (39 Stat. 227-229). Boy Scouts of America.
- Act of April 5, 1918 (40 Stat. 506-512). War Finance Corporation.
- Act of August 6, 1919 (41 Stat. 273-274). Near East Relief.
- Act of September 16, 1919 (41 Stat. 284-285). American Legion.
- Act of May 31, 1920 (41 Stat. 691-694). Roosevelt Memorial Association.
- Act of March 3, 1923 (42 Stat. 1441). Belleau Wood Memorial Association.
- Act of June 3, 1924 (43 Stat. 358-360). Grand Army of the Republic.
- Act of June 3, 1924 (43 Stat. 360-363). Inland Waterways Corporation.
- Act of June 7, 1924 (43 Stat. 535-536). United States Blind Veterans of the World War.
- Act of February 24, 1925 (43 Stat. 966-969). American War Mothers.

CHARTERS AMENDED

- Act of March 30, 1906 (34 Stat. 92, c. 1352). Masonic and Eastern Star Home of the District of Columbia.
- Act of June 6, 1906 (34 Stat. 214, c. 2582). Masonic Mutual Relief Association of the District of Columbia.
- Act of June 28, 1906 (34 Stat. 532-536). Washington & Western Maryland Railroad Co.
- Act of June 29, 1906 (34 Stat. 614). Grand Lodge of the Independent Order of Odd Fellows of the District of Columbia.
- Act of January 31, 1907 (34 Stat. 868, c. 437). National Savings & Trust Co.
- Act of February 2, 1907 (34 Stat. 875, c. 455). Convention of the Protestant Episcopal Church of the Diocese of Washington.
- Act of February 26, 1907 (34 Stat. 934, c. 1634). Supreme Lodge of the Knights of Pythias.
- Act of May 30, 1908 (35 Stat. 554, c. 232). Masonic Mutual Life Association of the District of Columbia.
- Act of March 3, 1909 (35 Stat. 838, c. 267). Washington Home for Foundlings.

Act of March 28, 1910 (36 Stat. 239, c. 103). Masonic Temple Association of the District of Columbia.
 Act of June 22, 1910 (36 Stat. 590-591). St. Vincent's Orphan Asylum.
 Act of June 23, 1910 (36 Stat. 604, c. 372). American National Red Cross.
 Act of December 19, 1910 (36 Stat. 887, c. 4). Washington Sanitary Housing Co.
 Act of February 18, 1911 (36 Stat. 920, c. 116). Firemen's Insurance Co. of Washington and Georgetown, in the District of Columbia.
 Act of June 6, 1912 (37 Stat. 124, c. 154). American Academy in Rome.
 Act of December 10, 1912 (37 Stat. 647, c. 1). American National Red Cross.
 Act of February 3, 1913 (37 Stat. 656, c. 24). German Orphan Asylum Association of the District of Columbia.
 Act of May 27, 1914 (38 Stat. 383, c. 101). National Academy of Sciences.
 Act of January 20, 1915 (38 Stat. 795, c. 15). King Theological Hall.
 Act of March 3, 1915 (38 Stat. 955, c. 89). National Society of the Daughters of the American Revolution.
 Act of February 27, 1917 (39 Stat. 946, c. 137). American National Red Cross.
 Act of July 25, 1918 (40 Stat. 917, c. 162). National German-American Alliance (repeal of charter).
 Act of August 11, 1919 (41 Stat. 278, c. 43). Convention of the Protestant Episcopal Church of the Diocese of Washington.
 Act of May 13, 1920 (41 Stat. 598, c. 185). National Education Association of the United States.
 Joint resolution of January 4, 1921 (41 Stat. 1084, c. 9). War Finance Corporation (revival).
 Act of March 3, 1921 (41 Stat. 1354, c. 131). American National Red Cross.
 Act of March 4, 1921 (41 Stat. 1361). National Conservatory of Music of America.
 Act of August 24, 1921 (42 Stat. 181-185). War Finance Corporation.
 Act of November 23, 1921 (42 Stat. 324, c. 144). Gonzaga College.
 Act of January 31, 1922 (42 Stat. 360-361). Prospect Hill Cemetery.
 Act of March 8, 1922 (42 Stat. 417, c. 98). Potomac Insurance Co. of the District of Columbia.
 Act of April 6, 1922 (42 Stat. 490, c. 121). General Federation of Women's Clubs.
 Act of September 22, 1922 (42 Stat. 1020). Acacia Mutual Life Association.
 Act of March 4, 1923 (42 Stat. 1504 c. 275). Colored Union Benevolent Association (dissolution).
 Act of May 1, 1924 (43 Stat. 114c. 146). National McKinley Birthplace Memorial Association.
 Act of May 24, 1924 (43 Stat. 153 c. 185). Medical Society of the District of Columbia.
 Act of June 7, 1924 (43 Stat. 635 c. 329). American Academy in Rome.
 Act of February 6, 1925 (43 Stat. 808 c. 142). National Society of the Sons of the American Revolution.
 Act of February 5, 1926 (44 Stat. 4 c. 11). National Society of the Daughters of the American Revolution.
 Act of June 16, 1926 (44 Stat. 751 c. 598). National Institute of Social Sciences.
 Act of June 29, 1926 (44 Stat. 777 c. 707). Saint Joseph's Home and School.
 Act of March 3, 1927 (44 Stat. 1357 c. 312). Lucy Webb Hayes National Training School for Deaconesses and Missionaries.
 Act of April 3, 1928 (45 Stat. 402 c. 312; Public, No. 235). Catholic University of America.
 Act of May 29, 1928 (45 Stat. 978-981; Public, No. 601). Inland Waterways Corporation.

AUTORIZATIONS

Act of February 6, 1909 (35 Stat. 598 sec. 1). Cordova Bay Harbor Improvement and Town Site Co.
 Act of September 8, 1916 (39 Stat. 731 sec. 11). United States Shipping Board authorized to form one or more corporations under D. C. laws.
 Act of June 4, 1918 (40 Stat. 595). President may authorize creation of corporation or corporations to provide housing for war needs.
 Act of October 5, 1918 (40 Stat. 1011 sec. 9). President authorized to form one or more corporations under State, etc., laws, for conservation of minerals, etc.
 Act of September 19, 1922 (42 Stat. 850 sec. 4). China trade act corporation.

Act of February 26, 1925 (43 Stat. 985, c. 340). Secretary of War authorized to form corporation to acquire property of Hoboken Manufacturers' Railroad.

Mr. CELLER. It is well to note the variety of the incorporations set up by Congress. For example, the act of June 30, 1906, provided for the Lake Erie & Ohio River Ship Canal Co. The act of June 3, 1924, provided for the Inland Waterways Corporation. The act of January 31, 1907, provided for the National Savings & Trust Co. In 1910 we passed an act for the Washington Sanitary Housing Co. In 1911 an act for the setting up of the Firemen's Insurance Co. of Washington and Georgetown in the District of Columbia.

Mr. YATES. What date was that?

Mr. CELLER. That was the act of February 18, 1911. A joint resolution of January 4, 1921, revived the War Finance Corporation. The act of September 22, 1922, set up the Acacia Mutual Life Association. The act of May 29, 1928, set up another Inland Waterways Corporation. The act of February 6, 1909, set up the Cordova Bay Harbor Improvement & Town Site Co. The act of September 19, 1922, set up the China Trade Act Corporation. The act of February 26, 1925, authorized the Secretary of War to form a corporation to acquire property of the Hoboken Manufacturers' Railroad; and so forth.

Mr. YATES. That was from what date to what date?

Mr. CELLER. These are incorporations. I only read a part of them. From 1906 down to 1928. There were many, many more of them prior to that date. In the list are also a great many fraternal and benevolent organizations which were also set up.

I cite the list because in the Record the other day our own chairman, the distinguished gentleman from Pennsylvania, Mr. Graham, said he thought it ought to be the policy only to incorporate corporations in furtherance of some of the delegated powers that Congress has received under the Constitution. Since this World Commerce Corporation would be, in a sense, indirectly carrying out or furthering some of those delegated powers—for example, the right to supervise customs duties, to lay and collect taxes, to have control over interstate and foreign commerce—this particular corporation certainly would fall within the permissive powers of Congress to set up an incorporation of this character.

The Federal Trade Commission in a letter which forms part of Senate Document No. 239, Sixty-seventh Congress, second session, page 19, dated August 3, 1922, has this to say with reference to free zones:

After exhaustive study of foreign institutions and careful investigation of American conditions and mercantile opinion, the Tariff Commission recommends the policy of permitting the establishment of free zones in American ports. * * *

Prior thereto the Tariff Commission had taken testimony all over the country gaging the opinion of merchants, manufacturers, and chambers of commerce the country over, as to what their several opinions were with reference to the advisability or the inadvisability of their recommending to Congress the setting up of these foreign trade zones; and the conclusion they came to I have just read to you.

Mr. YATES. This is an extensive report?

Mr. CELLER. This is an extensive, a very exhaustive, comprehensive report. It goes into all the ramifications of the subject.

I think the best definition of a free zone—the best I know—is found in that very report of the United States Tariff Commission. It is very brief and I would like to read it.

Mr. CHRISTOPHERSON. Read it.

Mr. CELLAR (reading):

The word "free" in connection with "port" or "zone" is apt to be misleading. It is proper to note, therefore, that the term has no relation either to port charges or to any policy of free trade or protection in this case. Conventional nomenclature is in this case misleading. "A neutral zone" would be more properly descriptive. A free port or free zone is a place limited in extent but differs from adjacent territory in being exempt from customs laws as affecting goods destined for reexport. It means simply that, as regards duties, there is freedom unless and until imported goods enter the domestic market. A free zone may be defined as an isolated, inclosed, and policed area in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for lading and unlading, for supplying fuel and ship stores, for storing goods, and for reshipping them by land and water—an area within which goods may be landed, stored, mixed, blended, repacked, manufactured, and reshipped without payment of duties and without the intervention of customs officials. It is subject a little within adjacent regions to all the laws relating to public health, vessel inspection, postal service, labor conditions, immigration, and indeed everything except the customs. The purpose of the free zone is to encourage and expedite that part of a nation's foreign trade which its government wishes to free from the restrictions instituted by customs duties. In other words, it aims to foster the dealing in foreign goods that are imported, not for domestic consumption but for reexport to foreign markets, and for the conditioning or for combining with domestic products previous to export.

Our own Government during the course of its history has always adopted a policy that has not been unfavorable to the very kind of commerce that a free port is designed to promote, and for that reason the Government has adopted a policy firstly, providing for bonded warehouses where goods intended for reexport may be entered and held free of duty. Secondly, they have adopted legislation for bonded manufacturing warehouses where, without payment of duty, imported goods may be handled or manufactured solely for export, either with or without the admixture of domestic materials of goods. Thirdly, it has established the drawback, which is a repayment of 99 per cent of the duties paid on imported goods when they are reexported.

As former Congressman Hulbert will point out, so many difficulties have arisen with reference to manufacturers and importers and exporters availing themselves of these three different provisions of the customs laws that there has grown up in the country great dissatisfaction with them. I shall be pleased to put in the record data with reference, for example, to the amount of drawbacks obtained by manufacturers in this country. We find that they are inconsequential, and the drawback then is so difficult, and so hedged about with restrictions set up by the Government that few if any merchants avail themselves of the privileges. It is so costly, involving so much of legal technicalities, that most of the claims are abandoned.

Amount of duty paid on drawbacks during the fiscal years—		
1926		\$21,462,398
1927		12,506,214
1928		14,327,953
1929		13,666,523
1930		14,444,626
1931 (to November 30)		4,587,644

The drawback permits the importer, instead of placing his goods under bond, to pay the duty on their entry, and then to draw back from the Treasury on their reexportation 99 per cent of the amount paid. This provision can not, any more than the bonded warehouse provision can, relieve commerce from the delays and burdens incident to customs enforcement. Every step in the process must be taken subject to customs inspection. Oaths are required from importers, superintendents, and exporters. Even after reshipment the drawback is unavailing unless evidence is shown of the actual landing of the goods in the foreign country. Under the smoothest operation of the law, capital to the extent of the duties is tied up in the Treasury from the time the goods are imported until 30 days after they are reshipped. (See p. 9, Free Zones in Ports of the United States, U. S. Tariff Commission.)

The same thing holds good with reference to the bonded warehouses. Just to give you one or two of the hindrances, let me call your attention to this:

Even drayage between the dock and the warehouse must be done under bond. * * * From the time the goods enter the port until they are reshipped, the goods are under constant customs control and supervision. * * * Permits, for example, must always be obtained for the reception and delivery, and strict accounts must be kept of all warehouse transactions. Handling, sorting, and repacking of the goods are prohibited. Only where serious damage is threatened can the original package be opened, and even then it must be done by special permission under customs supervision.

Since the Government has always indicated a policy to encourage commerce and to encourage the importation of goods and their reexportation in order to give greater and wider use and scope to American labor, we now present a proposition which will carry out all those purposes without all the disadvantages that have been spoken of. For that reason I urge upon this committee very serious consideration of this bill.

Not only would this bill empower the granting of these privileges and set up free zones on the seaboard, but the Secretaries of Commerce, Labor, and the Treasury would have the right to issue these grants for ports to be established inland in the States of any of the members, for example, of this very subcommittee. If there is a demand for such a port and sufficient reasons are adduced to invoke the privilege, the secretaries mentioned undoubtedly would grant the right to establish such free port along, for example, the Mississippi or the Ohio River.

This bill, in a word, sets up a quasi governmental corporation. A beginning must be had, and a legal entity as embodied in a first board of directors must be set up, and so the names of the gentlemen mentioned here have been inserted, to wit: Robert L. Luce, Horace B. Rogers, Eugene Mackey, Harry H. Atkinson, and Leonidas D. Smith to be the incorporators, and they shall constitute the board of directors until the first annual meeting, when a greatly augmented board of directors shall be constituted to include no more than 90 members and no less than 3. It is the purpose to gather these 90 members as a board from the various parts of the country; that all of the far-flung regions of our Nation will have proper and adequate representation on this board. As the various provisions imply, there is given the right of this corporation to establish terminals, to act as a general agent, to finance firms, to do a general export and import business, and to build docks, wharves, warehouses, and moorings. It has the right to sell stock upwards of 10,000,000 shares of \$100 par value. It has the duty to cooperate with the various State and

municipal authorities. It also shall be compelled to cooperate with the United States Customs Service, the Bureau of Immigration, and such other Federal agencies as have jurisdiction of the various ports or free zones. It shall always be subject to the strict supervision of the various secretaries mentioned. They shall have the right to withdraw the grant of the establishment or the setting up of the free port whenever there is violation of law or of the regulations set up by the various secretaries.

Mr. YATES. Before you go I would like to ask a question.

Mr. CHRISTOPHERSON. You may proceed, Mr. Yates.

Mr. YATES. You said, or read, that a better name would be "neutral port" instead of "free zone." I would like to know what would be an example of it. I do not quite understand what you mean.

Mr. CELLER. The Federal Tariff Commission felt that when the word "free" was used in connection with "free port," there might be some confusion with the idea that they were setting up something involving free trade. To get away from that they suggest "a neutral port."

Mr. YATES. In what way would the port have such an attitude as to be called neutral?

Mr. CELLER. I have just read the words of the commission.

Mr. YATES. On a given consignment or shipment.

Mr. CELLER. Only in the sense, I take it, that if you called it "free port" or "free zone" you might confuse it with "free trade," and to avoid that they suggest "a neutral port"—neutral in the sense that the coming of goods therein does not involve the payment of duties.

The establishment of free zones in various cities of Europe has greatly influenced commerce passing through those cities. Although the Bremen free port was only established in 1884, for example, the importance of Bremen in foreign trade may be said to be due, in a very large degree, to its being a free port. Its importance as a commercial and transshipment center is in the main attributable to its free port privileges.

It is interesting to note that Bremen, as a free port, has greatly aided the development of the German merchant marine. The North German Lloyd, the Roland Line, the Hansa Line, the Neptune Line, the Bremen-Hamburg-Africa Line, and other well-known ship-owning firms have been able to do an enormous freight business, in a large degree as a result of the freedom of Bremen from all customs tariffs as a free port.

All that I have said with reference to Bremen can be said also with reference to Hamburg. The position of Hamburg as a leading port of northern Europe is inextricably bound up with her free port. Free ports have been established at Leghorn, Trieste, Copenhagen, Danzig, Stockholm, Cadiz, Gothenburg, Barcelona, Malmo, Saloniki, Sulina and many other places. The wisdom of European governments in setting up these free zones should not be disregarded by us.

Mr. CHAIRMAN. I ask that the bill be amended to read as follows:

A BILL To further the commerce of the United States by creating the World Commerce Corporation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Robert L. Luce, Horace B. Rogers, Eugene Mackey, Harry H. Atkinson, Leonidas D. Smith, and such other persons as may

be associated with them, and their successors, are created a body politic and corporate by name, style, and title of the World Commerce Corporation, and by that name shall have perpetual succession, and have power to sue and be sued, plead and be impleaded, defend and be defended, in all courts of law and equity within the United States and any and all foreign countries, subject to the laws of the United States and of such foreign countries, and adopt and have a common seal.

This corporation is formed to serve the industries of the United States by—

(A) Organizing, operating, and maintaining a clearing house for commerce, through which a world-wide distribution of products can be made;

(B) Establishing, operating, and maintaining foreign-trade zones in or adjacent to ports of entry under the jurisdiction of the United States;

(C) Erecting, operating, and maintaining shipping terminals, with all necessary equipment, including storage houses and fuel stations, and serving all means of transportation;

(D) Controlling reserves of natural resources that will supply ships with return cargoes and stabilize prices of raw materials, which the industries of the United States must obtain from abroad;

(E) Organizing selling and purchasing agencies throughout the world with clearing facilities for manufacturers, merchants, exporters, importers, and citizens of the United States for all kinds of commercial transactions; and

(F) Furnishing loans and credits through banks or directly to corporations, firms, and individuals and to manufacturers, merchants, exporters, and importers.

And to advance and carry out the foregoing purpose this corporation is formed with the objects of doing any and all of the things hereinafter set forth to the same extent natural persons might or could do them, namely:

To own, buy, sell, build, operate, mortgage, and charter vessels and vehicles of any and all kinds; to carry on a general merchandising, exporting, and importing business; to purchase or otherwise acquire and to hold, deal in, guarantee, convey, operate, lease, mortgage, and pledge bonds, debentures, notes, shares of capital stock of other corporations, and real and personal property of every nature and kind deemed necessary, useful, or convenient in connection with the business and powers of the corporation; and do any and all acts or things incidental thereto or necessary, useful, or convenient to the corporation and the exercise by it of its several powers;

To borrow money for any purpose and in any amount and for any length of time, and make, execute, and issue bonds, notes, debentures, certificates, or rights of indebtedness, in such amount or amounts and upon such terms as the board of directors of the corporation may fix, and secure the same by mortgage, deed of trust or pledge of any or all of the property, real, personal, or mixed;

To make and enter into contracts of every nature and kind and the same to keep and perform and to keep continuously advised upon commercial, financial, and legal matters which, in the opinion of the corporation, affect interstate or foreign commerce or agricultural products, derivatives or fabrications thereof; and

To determine by surveys whether there exists, or may exist, during the ensuing 12 months a surplus in excess of normal domestic requirements of any commodity produced in the United States and, upon its own initiative, to act as a common marketing agent in the interest of the producers of such commodity or commodities.

SEC. 2. The total authorized capital stock of this corporation shall be ten million shares of the par value of \$100 each, the same to be classed and issued as common stock, and each share to entitle the holder thereof to one vote. The capital stock may be increased from time to time, as may be necessary for the general purposes of the corporation.

All shares of stock shall be personal property transferable on the books of the corporation only.

The stockholders shall not be liable in any event for any indebtedness or other obligations incurred by the corporation.

SEC. 3. That the above-named incorporators shall have the power and authority to make such by-laws as they may deem proper, useful or convenient for carrying out the objects of the corporation, for the management of its business affairs and the enforcement of its rights. The by-laws shall also specify the way for disposing of properties and other assets, prescribe the manner by which the capital stock may be increased, fix the terms of office, and the power, authority and duties of the officers, directors, agents, servants, and employees and designate, within the United States, the location of the principal office at which

stockholders and directors meetings shall be held. The board of directors, shall have the power and authority from time to time, at its pleasure, to modify, amend, or repeal the by-laws whenever it considers it advisable: *Provided*, That such by-laws shall not conflict with any laws of the United States.

SEC. 4. That the stock, property, and affairs of this corporation shall be managed by a board consisting of not more than ninety-nine nor less than three directors, as may from time to time be provided for in the by-laws, all of whom shall be citizens of the United States. They shall elect from their own number a president and chairman of the board, and either from their own number or partly from their own number and partly from persons not directors, one or more vice presidents. They shall also elect a secretary and treasurer, who need not be directors. They may appoint one or more assistant secretaries and one or more assistant treasurers and such officers, agents, managers, servants, and employees as they may deem necessary, who shall hold the office during the pleasure of the board and no longer.

The board of directors may also appoint an executive committee and such other standing or special committees with such powers and authority as may be fixed or permitted by the by-laws or by the board at the time of their appointment.

SEC. 5. That the incorporators in this act shall be the first board of directors from the organization of the corporation and shall hold office until their successors are elected, and thereafter annual elections of directors shall be held by the stockholders at meetings fixed by the by-laws and to be called for that purpose, and at such annual election a majority of the holders of the outstanding common stock, present in person or by proxy, shall constitute a quorum, and such quorum by a plurality vote shall elect the directors.

Directors of the corporation shall hold office until the next annual meeting and until their successors are elected and qualified. Vacancies in the board may be filled as provided in the by-laws. A majority of the members in the board of directors, duly elected and qualified, shall constitute a quorum at any meeting thereof.

At any regular or special meeting of the stockholders, called for that purpose, any one or all of the board of directors may be removed and their office or offices declared vacant by a majority vote of the stockholders.

SEC. 6. That when used in this act—

The term "Corporation" means the World Commerce Corporation created by this act.

The term "Secretaries" means the Secretary of War, the Secretary of Commerce, and the Secretary of the Treasury.

The term "public corporation" means a State or States, a municipality with the lawful approval of the State or the World Commerce Corporation created by this act.

The term "applicant" means a public corporation applying for the right to establish, operate, and maintain a foreign trade zone.

The term "grantee" means a public corporation to which the privilege of establishing, operating, and maintaining a foreign trade zone has been granted.

The term "zone" means a "foreign trade zone" as provided in this act.

SEC. 7. The Secretaries are hereby authorized, subject to the conditions and restrictions of this act and of the rules and regulations made thereunder, upon application as hereinafter provided, to grant to public corporations the privilege of establishing, operating, and maintaining foreign trade zones in or adjacent to ports of entry under the jurisdiction of the United States. Not more than one zone shall be authorized in or adjacent to any port of entry, except that when a port of entry is located within the confines of more than one State, a zone may be authorized in each State or a zone may be authorized in two or more States in the territory comprised in such port of entry.

SEC. 8. Foreign and domestic merchandise of every description, except such as is prohibited by law, may without being subject to the custom laws of the United States, except as otherwise provided in this act, be brought into a zone and there stored, exhibited, broken up, repacked, assembled, distributed, sorted, refined, graded, cleaned, mixed with foreign or domestic merchandise, or otherwise manipulated and may be exported, and foreign merchandise may be sent into custom territory of the United States therefrom, in the original package or otherwise: but when foreign merchandise is so sent from a zone into custom territory of the United States it shall be subject to the laws and regulations of the United States affecting imported merchandise: *Provided*, That when the privilege has been requested the Secretary of the Treasury is hereby authorized upon being indemnified to issue permits and make rules and regulations whereby foreign

merchandise may be sent from a zone into customs territory of the United States and there manufactured, assembled, refined, mixed with other merchandise; or otherwise manipulated and within twelve months from date of issuing permit returned to the zone and exported without payment of duty and all decisions of the Secretary of the Treasury in refusing to issue a permit or canceling of one already issued shall be final and conclusive: *Provided further*, That subject to such regulations respecting identity and the safeguarding of the revenue as the Secretary of the Treasury may deem necessary, articles, the growth, product, or manufacture of the United States, and articles previously imported on which duty has been paid, or which have been admitted free of duty, may be taken into a zone from the customs territory of the United States and may be brought back thereto free from duty, whether or not they have been combined with or made part, while in such zone, of other articles: *And provided further*, That if in the opinion of the Secretary of the Treasury their identity has not been lost such articles not entitled to free entry by reason of noncompliance with the requirements made hereunder by the Secretary of the Treasury shall be treated when they reenter the custom territory of the United States as foreign merchandise under the provisions of the tariff laws in force at the time.

SEC. 9. The Secretary of the Treasury shall assign to the zone the necessary customs officers and guards to protect the revenue and to provide for the admission of foreign merchandise into customs territory.

SEC. 10. Vessels entering or leaving a zone shall be subject to the operation of all the laws of the United States, except as otherwise provided in this act, and vessels leaving a zone and arriving in customs territory of the United States shall be subject to such regulations to protect the revenue as may be prescribed by the Secretary of the Treasury.

SEC. 11. Each application shall state in detail—

(1) The location and qualifications of the area in which it is proposed to establish a zone showing (a) the land and water, or land or water area, or land area alone if the application is for its establishment in or adjacent to an interior port; (b) the means of segregation from custom territory; (c) the fitness of the area for a zone; and (d) the possibilities of expansion of the zone area;

(2) The facilities and appurtenances which it is proposed to provide and the preliminary plans and estimate of the cost thereof, and the existing facilities and appurtenances which it is proposed to utilize;

(3) The time within which the applicant proposes to commence and complete the construction of the zone and facilities and appurtenances; and

(4) Such other information as the secretaries may require.

The secretaries may upon their own initiative or upon request permit the amendment of the application. Any expansion of the area of an established zone shall be made and approved in the same manner as an original application.

SEC. 12. Where the applicant is the corporation, the secretaries shall give written notice of same to the secretary of state or states where the zone is to be located and if within 90 days from date the State or States or a municipality with the approval of the States, files an application to establish the zone then and in that event the secretaries are to pass upon the application of the State or States or municipality and decide upon same before action on the application of the corporation, but if within 90 days no application is filed by the State or States or a municipality with the approval of the State, the secretaries shall consider and act on the application of the corporation.

If the secretaries find that the proposed plans and location are suitable for the accomplishment of the purpose of a foreign-trade zone under this act, and that the facilities and appurtenances which it is proposed to provide are sufficient, they shall make the grant. The decision of the secretaries shall be final as to the grant of the application.

SEC. 13. The secretaries shall prescribe such rules and regulations, not inconsistent with the provisions of this act or the rules and regulations of the Secretary of the Treasury made hereunder, as may be necessary to carry out this act.

SEC. 14. The secretaries and the grantee shall cooperate with the State and any subdivision thereof and any municipality in which the zone is located, in the exercise of their police, sanitary, and other powers in and in connection with the zone. They shall also cooperate with the United States Customs Service, the Bureau of Immigration, and such other Federal agencies as have jurisdiction, in ports of entry.

SEC. 15. For the purpose of facilitating the investigation of the secretaries and their work in the granting of the privilege in the establishment, operation, and

maintenance of a zone, the President may direct the executive departments and other establishments of the Government to cooperate with the Secretaries, and for such purposes each of the several departments and establishments are authorized, upon direction of the President, to furnish to the Secretaries such records, papers, and information in their possession as may be required by them, and temporarily to detail to the service of the Secretaries such officers, experts, or engineers as may be necessary.

SEC. 16. If the title to or right of user of any of the properties to be included in a zone or a shipping terminal and that which may be needed for rights of way, waterways, railways, roads, and executive purposes in connection with the same, is in or under the jurisdiction of the United States, then the department or officer of the United States having control of same is hereby authorized to sell or lease such properties to the grantee or the corporation for those purposes, and where the title has not been vested in a department of the United States, the Secretary of War is hereby authorized to make an agreement with the grantee or the corporation for the use of such properties: *Provided*, That in his opinion navigation in the surrounding waters will not be affected.

SEC. 17. If the title to or right of user of any of the properties to be included in a zone or a shipping terminal and that which may be needed for right of ways, waterways, railways, roads, and executive purposes in connection with same is not vested in the United States, the grantee or the corporation may provide for the payment of the purchase price of such properties to the Secretary of War, who is hereby authorized to acquire the properties by purchase, condemnation, or otherwise, in the name of the United States and convey same to the grantee, or the corporation.

SEC. 18. All properties, including equipment and appurtenances, within a zone and all materials while stored therein or taken out under a permit issued by the Secretary of the Treasury to be manufactured and returned to the zone for export shall be exempt from Federal and State taxes.

SEC. 19. The grantee shall provide and maintain in connection with the zone—

(a) Adequate slips, docks, wharves, warehouses, loading and unloading and mooring facilities where the zone is adjacent to water; or, in the case of an inland zone, adequate loading, unloading and warehouse facilities;

(b) Adequate transportation connections with the surrounding territory and with all parts of the United States, so arranged as to permit of proper guarding and inspection for the protection of the revenue;

(c) Adequate facilities for coal, oil, or other fuel and for light and power;

(d) Adequate water and sewer mains;

(e) Adequate quarters and facilities for the officers and employees of the United States, State and municipality whose duties may require their presence within the zone;

(f) Adequate inclosures to segregate the zone from custom territory for protection of the revenue, together with suitable provisions for ingress and egress of persons, conveyances, vessels, and merchandise; and

(g) Such other facilities as may be required by the Secretaries acting jointly.

SEC. 20. The grantee may, with approval of the Secretaries and under reasonable and uniform regulations for like conditions and circumstances to be prescribed by them, permit private persons, firms, corporations, or associations to erect such buildings and other structures within the zone as will meet their particular requirements: *Provided*, That such permission shall not constitute a vested right as against the United States nor interfere with the regulations of the grantee or the permittee by the United States, nor interfere with or complicate the revocation of the grant by the United States: *Provided further*, That in the event of the United States or the grantee desiring to acquire the property of the permittee no good will shall be considered as accruing from the privilege granted to the zone: *And provided further*, That such permits shall not be granted on terms that conflict with the public use of the zone as set forth in this act.

SEC. 21. Each zone shall be operated as a public utility, and all rates and charges for all services and privileges within the zone shall be fair and reasonable and subject to the approval of the Secretaries, and the grantee shall afford to all who may apply for the use of the zone and its facilities and appurtenances uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments, and the cost of maintaining the additional customs service required under this act shall be paid by the operator of the zone.

SEC. 22. No persons shall be allowed to reside within the zone except Federal, State or municipal officers or agents, guards, watchmen, and agents of the grantee whose resident presence is deemed necessary by the Secretaries.

The grantee shall prescribe rules and regulations regarding employees and other persons entering and leaving the zone. All rules and regulations concerning the protection of the revenue shall be approved by the Secretary of the Treasury.

The Secretaries or the grantee may at any time order the exclusion from the zone of any goods or process of treatment that in their judgment is detrimental to the public interest, health or safety.

No retail trade shall be conducted within the zone except under permits issued by the grantee and approved by the Secretary of the Treasury. Such permittees shall sell no goods except such as are brought into the zone from customs territory.

SEC. 23. The form and manner of keeping the accounts of each zone shall be prescribed by the Secretaries.

Each grantee shall make to the Secretaries annually and at such other times as they may prescribe, reports containing a full statement of all the operations, receipts, and expenditures, and such other information as the Secretaries may require.

SEC. 24. The grant shall not be sold, conveyed, transferred, set over, or assigned except to another public corporation with the approval of the Secretaries.

SEC. 25. In the event of repeated violations of any of the provisions of this act by the grantee, the Secretaries, or a majority of them, may revoke the grant after four months' notice to the grantee and affording it an opportunity to be heard. The testimony taken before the Secretaries shall be reduced to writing and filed in the records of the Department of Commerce, together with the decision reached thereon.

In the conduct of any proceeding under this section for the revocation of a grant the Secretaries may compel the attendance of witnesses and the giving of testimony and the production of documentary evidence and for such purpose may invoke the aid of the district courts of the United States.

An order under the provision of this section revoking the grant issued by the Secretaries shall be final and conclusive, unless within 90 days after its service the grantee appeals to the circuit court of appeals for the circuit in which the zone is located by filing with the clerk of said court a written petition praying that the order of the Secretaries be set aside. The clerk of the court in which such a petition is filed shall immediately cause a copy thereof to be delivered to the Secretaries and they shall forthwith prepare, certify, and file in the court a full and accurate transcript of the record in the proceedings held before them under this section, the charges, the evidence, and the order revoking the grant. The testimony and evidence taken or submitted before the Secretaries, duly certified and filed as a part of the record, shall be considered by the court as the evidence in the case.

On such appeal the court shall review the record of proceedings before the Secretaries, and, if a decision of said Secretaries shall be supported by evidence, shall only make decision on errors of law.

SEC. 26. In case of a violation of this act, or any regulation of the Secretaries under this act, by the grantee, any officer, agent, or employee thereof responsible for or permitting any such violation shall be subject to a fine of not more than \$1,000. Each day during which a violation continues, after the Secretaries have served notice on the grantee to stop such violation, shall constitute a separate offense.

SEC. 27. Any national banking association may invest in the stock or other securities of the corporation, under the provisions of this act.

SEC. 28. Any governmental establishment in the executive branch of the Government is authorized to act as agents of the corporation in the administration of the functions vested in it by this act, and the President may, by Executive order, direct any governmental establishment to assist the grantee or the corporation in performing the functions under the provisions of this act, and to furnish such information and data pertaining to same as may be contained in the records of such governmental establishment.

The order of the President shall define the assistance to be given and provide such limitations as to the use of the information and data as he deems advisable.

SEC. 29. The corporation shall make to the Secretaries, annually and at such times as they may prescribe, reports containing a full statement of its operations together with a financial statement of the corporation, with the names and addresses of its officers and directors, to be signed by its president, vice president, or secretary, and such other information as the Secretaries may require.

The Secretary of Commerce shall make a report to Congress on the first day of each regular session containing a summary of the operations of each zone and transmit therewith copies of the annual report of each grantee and the annual report of the corporation.

If any provision of this act or the application of such provision to certain circumstances be held invalid, the remainder of the act and the application of such provisions to circumstances other than those as to which it is held invalid shall not be affected thereby.

SEC. 30. The right to alter, amend, or repeal this act is hereby reserved.

SEC. 31. This act may be cited as the World Commerce Corporation act of 1931.

STATEMENT OF MURRAY HULBERT, NEW YORK CITY

Mr. HULBERT. Mr. Chairman, I represented the twenty-first congressional district in the Sixty-fourth and Sixty-fifth Congresses. I am a member of the bar of the State of New York and have my office at 551 Fifth Avenue.

I would like to say preliminarily that some years ago I entered into a legal association with one William J. Gibson. Mr. Gibson had been, under the administrations from Cleveland to Roosevelt, Solicitor to the Treasury Department. He was a tariff expert, but he was particularly and keenly interested in the subject of free ports, and it was through my association with him that I became interested in the subject. In the Sixty-fourth Congress I introduced a resolution calling upon the Secretaries of War, Treasury, and Commerce to make an investigation and report as to the advisability of the establishment of free ports or free zones in the United States of America. I found considerable misunderstanding, in fact prejudice, so far as the use of the term "free port" was concerned, and I amended the resolution so as to designate them "ports of transshipment." About that time the Tariff Commission was created. Congressman Kent, of California, who had shown a very sympathetic interest in the resolutions that I had introduced, became a member of the Tariff Commission. One of the first things which the Tariff Commission undertook to study was this subject of free ports or free zones or ports of transshipment; and I believe there is on file a report made by the Tariff Commission, and I believe there also is a report made by the United States Army engineers, the latter dealing principally with the physical conditions in the various free ports or free zones as they exist throughout the United States.

I have not had any connection with the preparation of the bill H. R. 14454. I have not made any analysis of it. I have not had the opportunity to do it, but I should be very glad, if the committee feel it would be helpful to them, to do that and to put my observations, as a matter of assistance to the committee, in the form of a brief.

Mr. CHRISTOPHERSON. The committee will be very glad to have that, Mr. Hulbert.

Mr. HULBERT. I hope I will be pardoned if I make a reference very briefly to a book written by our then ambassador to Germany, James W. Gerard, called *My Four Years in Germany*, where on page 279 he calls attention to the fact that "if we are to meet the intense competition of Germany after the war, we have got to view all these problems from new angles. For instance, there is the question of free ports. Representative Murray Hulbert has introduced in the House of Representatives a resolution" and so forth. And then, in a book written

by Professor McElwee on the subject of port development, he also makes reference at page 421 to the resolutions introduced by myself in 1916 and 1917. I mention that because I feel it will account to the members of this committee for my appearance and my interest in this subject matter.

I believe that for the development of our world commerce, and especially in competition with a nation that has a protective tariff such as Germany has, it is necessary that this country place itself upon a business plane where it can compete with other nations, and especially Germany, upon a basis that will be no less favorable to ourselves than the laws of that country are to the industries and to the commercial interests of the Republic of Germany. It is argued by many that the bonded warehouses and the drawback system that we have affords to our people substantially the same advantage, but I think that anyone who has given this subject intelligent study will readily conclude that that is not the fact; that our facilities, such as they are, undoubtedly met the situation which they were intended to cover at the time that they were adopted, but that they have long since been outgrown and that to-day they really constitute shackles and that the Government should rid itself of them by legislation and give to its commercial development a greater measure of freedom. Personally I feel that in too many respects to-day we are hog-tied by legislation and that what we really need is the severance by somebody of the Gordian knot that will free us of all these encumbrances that we labor under and give us the opportunity to go out into competition on at least an equal basis with the most favored nation that we have to compete with.

Mr. CHRISTOPHERSON. Let me ask you right there if those other nations have these free ports.

Mr. HULBERT. Germany has them in a more pronounced extent than any other country except Denmark. There is one free port in Denmark, at Copenhagen. There are three free ports in Germany, the principal one being at Hamburg, and in the free ports of Hamburg and Copenhagen there is a feature that I do not believe exists in any other free port, and that is that in those two free ports manufacturing is permitted to be carried on within the so-called free zone; so that those countries have this advantage: That where a product is fabricated partly from materials that are produced in the country and partly from materials that are imported, and the article after being fabricated is exported, the goods from the foreign country can be brought into the free zone, they can be mixed or fabricated with the local or native product, and then the manufactured article can be exported without the encumbrance of the customs laws that we would have to contend with here.

Mr. CHRISTOPHERSON. In other words, what is meant by "free ports" is the matter of imports and exports of goods?

Mr. HULBERT. Well, what is meant by "free port" is the segregation of a particular area which may be either on the water or inland. That area is inclosed by a stockade, as I would term it, and the particular area thus indicated and protected is freed from the customs regulations except as to products which, after they have once entered the area of the so-called free zone, are subject to customs regulations when they go from that particular area within the stockade into the country itself.

Mr. CHRISTOPHERSON. So that if we established a free zone or free port in any place here in the country, then we could import raw material into that free zone and take from it manufactured into articles and tranship to another country without the payment of the tariff. Is that what you mean?

Mr. HULBERT. That would be true if there were a provision in this bill—which, from my reading of it, I did not discover, and I do not believe it is there—providing for the manufacture. I assume that in asking for the enactment of this particular bill it was not desired to include in it the privilege of manufacture, which, as I have stated, exists at Hamburg and at Copenhagen but not at the other ports throughout the world where a free zone has been established.

Of course, eliminating the element of manufacture, there are many other advantages to be gained from the establishment of a free zone. For example, about 50 per cent of our imports from the port of London consist of articles which do not have their origin in England. In other words, the facility with which commerce can be handled under the less restrictive legislation of Great Britain makes London a transshipment center. That is, goods are brought from all parts of Europe into London, they are stored there for various terms, until the merchants find it to their advantage to make shipment, and then they are shipped from that point to their ultimate destination. It is my feeling, at least, that if this Government were to establish free zones, it would make of those places where there was a sufficient amount of commerce to warrant the establishment of the free zone under the permissive features of the law a point of transshipment, so that a large amount of goods would come to that point. It would lend immeasurably in the development of our merchant marine, and the merchant could bring those goods in without tying up any additional amount of his capital in the payment of duties until there was a favorable market for the disposition of that merchandise and he knew where he could dispose of it.

For example, a man could load a whole cargo in the Argentine. He might only have need for the disposition, say, of a third of it upon its arrival here. That third he could take out, pay the duty on it, and ship it to the points where it was to be distributed under his contract of sale. The balance of the cargo, two-thirds, would remain in the free zone until there was a favorable opportunity upon his part to dispose of it where he could do so to the best advantage. By having, in that instance, the existence of a free zone, that man would be in a position to buy a larger consignment; he would get it at a cheaper price; he would be able to get a better rate, because of the utilization of the ship for the transportation of that particular cargo, and he would have the goods on hand in the free zone for disposition when he was able to produce a market, and there would be substantially larger profit for him in the transaction and at the same time it would facilitate his activities in his particular field of competition.

Mr. CHRISTOPHERSON. Now, Mr. Hulbert, right there: We have our Shipping Board and our corporation created for that purpose. What would you say as to the advisability of creating a new corporation such as this bill provides for, which would to at least a certain extent overlap in its activities the activities of the Shipping Board?

Mr. HULBERT. I do not see that it would overlap in the activities of the Shipping Board, sir.

Mr. CHRISTOPHERSON. The bill, on page 3, states that "this corporation is formed * * * to own, buy, sell, build, operate, mortgage, and charter vessels," and so on. What I had in mind was: Would it not serve the purpose just as well if we would grant, if we should see fit so to do, this free zone without the creation of the new corporation?

Mr. HULBERT. In the first place, I thought it was the policy of the Government to get out of Government operation of shipping.

Mr. CHRISTOPHERSON. That is true, but they have not as yet.

Mr. HULBERT. They are in that process, I take it.

Mr. CHRISTOPHERSON. I believe that is right.

Mr. HULBERT. And at the present time they are endeavoring to dispose of the vessels which the Government owns.

Mr. CHRISTOPHERSON. It would be your judgment, then, that if we do this it ought to be done through a separate corporation, a private corporation as this provides for?

Mr. HULBERT. I am just looking at the provisions of the bill to which you called my attention, and from a hasty reading of it it seems to me that the provision that you refer to, which begins on line 5 of page 3, would authorize this corporation to either construct vessels of its own or to do what other private corporations are doing, and that is, take off the hands of the Shipping Board the vessels which the Shipping Board has now and would, I assume, pursuant to the policy which has now been formally established and declared, help the Shipping Board to get rid of those very vessels that they want to dispose of. In other words, if the corporation sought to be organized by the bill now before you were organized, in order to carry its purposes into effect it might be necessary for that company to either construct or to buy or to charter and to operate vessels for the purpose of bringing merchandise to the free zone and taking merchandise out of the free zone.

So that whether you were to do it by a private corporation, as this bill indicates, or whether you were to do it by such an agency as would be comparable to the creation of the Shipping Board, of course, is a matter for Congress to determine; but, as I say, since it seems that the Congress has determined that the Shipping Board shall gradually eliminate itself and put the industry back into the hands of private owners, I should doubt the consistency at least of the Government setting up a comparable agency to the Shipping Board, but would feel that the Government should be rather more inclined to the recognition of a private agency for the purpose of developing the idea of the free port or the free zone just as the Government is now endeavoring to encourage the management and the further extension and development of the merchant marine by private interests. More than that, it is my recollection that when the Tariff Commission made its report it specifically recommended that these free zones should not be constructed at the expense of the Government or at cost to the Government but, rather, should be done by the States or by the municipalities or the other governmental divisions where the proposed free port was to be located. So that it was my understanding that when the Tariff Commission made its report it eliminated from consideration the proposition that these free zones would be constructed and developed by the Government.

Now may I say to you that following my service as a Member of this House, I was for four years commissioner of docks and director of the port of the city of New York, and for four years thereafter I was a member of the board of aldermen and of the board of estimate and apportionment of the city of New York, and in that capacity, a member of the sinking fund commission, which passes upon all recommendations of the dock department respecting the lease of municipally owned water front; and it is my feeling that free zones would never be adequately developed if it were left to municipal or to State appropriation of funds for their development. I think that it must be done either by the Federal Government itself or else by private interest, because I feel that while it is not, perhaps, possible at the present time to determine where these free zones ought to be located, and certainly no one would want to locate a free zone at a point until he had satisfied himself that there was a sufficient amount of prospective transshipment business to warrant its establishment at that point, it would be a physical impossibility to correlate the free zones, if you had more than one, in different States if their management were left to the State or to the municipality, unless in the case of States you had treaties ratified between the several States where the free zones were located. In the case of cities, if, for example, you had one in New York and another one in New Orleans and another one in San Francisco, I do not know how you would establish the relationship between the municipalities for the operation of those free zones in a cooperative way that it would be possible to do if they were established and operated under the direction of a privately owned corporation or by an agency such as the Shipping Board is, acting under the general direction of the Government of the United States. Have I made clear that particular point, Mr. Chairman?

Mr. CHRISTOPHERSON. Yes, sir.

Mr. HULBERT. At the present time a man can import merchandise, he can pay the duty on it, he can bring it into the country, he can utilize it in fabrication, and then, upon the export of it, he can apply for a drawback, and if he is successful he gets back 99 per cent of the duty that he paid; but in order to do that he has to make a very definite submission of proof as to the identity of the particular article that came in and went out, and sometimes its identity is so transformed in the operation and/or fabrication that it is extremely difficult to do that in almost every instance. The procedure of making the proof is a very laborious one, and sometimes the importer fails altogether to get his drawback; and sometimes, while he gets a rebate of 99 per cent, the cost to him in making a record during the process of fabrication or manufacture and then in following that up and collecting and submitting his proofs, will aggregate anywhere from 15 to 35 per cent, so that I have known of instances where manufacturers have not even bothered to apply for the drawback because they said that the process was so cumbersome and so unsatisfactory that it was not worth while.

Mr. CHRISTOPHERSON. This procedure, if adopted, would avoid the necessity of paying the tariff in advance?

Mr. HULBERT. It not only would avoid the necessity of paying the tariff in advance but it would eliminate all the red tape that you have to go through now from the time that a vessel enters a port until the cargo has been placed into the control of the consignee. One of the

most important things to the importer to-day as well as to the steamship operator is that the owner of the goods be given the custody of his merchandise and the control of it as soon as possible. You have larger ships. They carry bigger cargoes. The profit that a vessel can make to its owner depends upon the number of voyages that she can complete in a year, and consequently it is of the greatest importance that there be the quickest turn around on the ship possible. To-day there is at least 24 hours lost on the arrival of a ship because of the red tape they have to go through before the merchandise can be entered and the possession taken of it; but if you had a free zone and that vessel were entering at the free zone it would be brought in under a customs commission pilot and the owner of its cargo could enter upon the possession of it immediately upon the docking of the vessel.

In that connection here is another very important point, I think, that is to be stressed: At the present time there are definite hours during which cargo can be discharged and loaded. Outside of those hours you have to have a permit. You not only have to have a permit, but you have to pay the extra cost of customs guards and agents who are necessarily on duty during this period of overtime. In the free zones that I am familiar with—and I visited a great many of them throughout the world—you can operate during a period of 24 hours without any customs restriction whatsoever. Of course, you have customs regulation. That is necessary and proper in order to prevent fraud in the bringing of any merchandise from the customs zone into the country itself, but you do not have customs restrictions as against customs regulations, and the vessel can work and the owner of the cargo can operate on the discharge of his cargo for a period of 24 hours in the day. It goes without saying that that is a very important circumstance to any importer as well as to the operator of the steamship line itself.

I did not go into the question about manufacturing in bond because, as I say, I do not see any provision in this bill for manufacturing within the free zone. I take it that it is not intended to have that provision incorporated. I may have overlooked it, but I have not seen it here.

Mr. CELLER. Would not section 9 give you the right?

Mr. HULBERT. There is a provision which authorizes the Secretary of the Treasury to issue permits for the purpose of having the material sent from the free zone through to the point of delivery.

Mr. CELLER. I mean section 9, which reads as follows:

Foreign and domestic merchandise of every description, except such as is prohibited by law, may, without being subject to the custom laws of the United States, except as otherwise provided in this act, be brought into a zone and there stored, exhibited, broken up, repacked, assembled, distributed, sorted, refined, graded, cleaned, mixed with foreign or domestic merchandise, or otherwise manipulated and be exported.

Mr. HULBERT. That is all right, but that does not include fabrication.

Mr. CELLER. It would not include manufacturing?

Mr. HULBERT. No.

Mr. EDMANDS. Go down a little farther. Read the proviso.

Mr. HULBERT. The point I just referred to is right in the same paragraph, in line 14:

Provided, That when the privilege has been requested the Secretary of the Treasury is hereby authorized upon being indemnified to issue permits and make rules and regulations whereby foreign merchandise may be sent from a zone into customs territory of the United States and there manufactured, assembled, refined, mixed with other merchandise, or otherwise manipulated and within 12 months from date of issuing permit returned to the zone.

But you see that provision simply provides for the fabrication outside of the zone and not in the zone.

Mr. CELLER. With the Secretary of the Treasury's consent.

Mr. HULBERT. Yes, sir; and upon such terms and conditions as he may provide for that purpose.

Rather than take up time, I would be glad if the members of the committee would indicate to me any particular information which they feel I may have that I can give in response to any questions that may be put to me. [After a pause.] I do not claim to know all there is about free zones. I think my knowledge falls very far short of that.

But it may be of interest to the members of this committee to know that when the first resolution was introduced by me in 1916, the then chairman of the Ways and Means Committee, who was a member of my own party, insisted that it was a protection matter and the acting chairman of the minority party in the House at that time insisted it was a free-trade measure; and when I discussed it later on with a former Member of the House, whose name was attached to one of the most famous tariff bills that Congress ever passed and who had meanwhile gone over to the Senate, he said, "Yes, I am perfectly familiar with the subject." He said, "I have seen it in its operation over in Hong Kong, China, and I know all about it"; but the so-called free-trade zone in Hong Kong, China, is not a free-trade zone at all. It is simply a British preferential trading port for the benefit of the British Empire and nobody else. Anyone who has examined the files at the Congressional Library will find that prior to the time that the Tariff Commission took up this subject for investigation, it was almost impossible to get any information upon the subject of the operation of free zones at all.

Mr. CHRISTOPHERSON. Did you say this Tariff Commission recommended the adoption of free zones?

Mr. HULBERT. Yes, sir; they did.

Mr. CHRISTOPHERSON. When was that?

Mr. HULBERT. I think it was in 1921.

Mr. CHRISTOPHERSON. Mr. Hulbert, it is your opinion, is it, that the establishment of ports of this kind would be helpful to our trade and commerce?

Mr. HULBERT. I unhesitatingly say so; yes, sir.

Mr. Chairman, may I call attention to a communication in addition to the one referred to by Congressman Celler, which was printed for the use of the Committee on Ways and Means of the House of Representatives in 1919? It has no House Document number, but there is a letter of transmittal from the United States Tariff Commission to the Committee on Ways and Means. Evidently it was printed for the information of the committee and not for general distribution. The letter is dated October 9, 1919, and it submits a

report together with evidence taken before the Tariff Commission. On page 15 of the document appears the following statement:

In the judgment of the Tariff Commission it is highly important that the necessary capital should be provided, not by the Federal Government but by the State or municipality within which the free zone is established. The necessity of meeting the cost of construction and equipment from local resources would go far to limit the application for free zone privileges to those ports where there is a prospect that the acquisition of them would be justified by the results, while, on the other hand, the hope of securing a Government appropriation would attract an application from every handling place on the coast.

I maintain that it would be, at the present time at least, a practical impossibility for a community like New York City to finance itself what I would consider to be an appropriate free zone, because the city of New York at the present time within the provisions of its debt limit has all it can do to finance the construction of future subways and public schools and other buildings that are essentially a part of the progress of municipal development.

There are just two or three more points that I would like to stress because of the importance that I think they have to the consideration of this question. I think it is a fair statement to say that the cost of handling of merchandise at the port after it leaves the ship and goes to the warehouse is greater than the cost of transportation from the point of origin to the point of destination. In some instances the warehouses are within a block or two of the dock and yet it costs more money to get the goods off the dock and get them over to the warehouse than it costs to transport those goods from some point of shipment in Europe to a port upon the seaboard of the United States. Owing to the condition of our docks and the system under which we persist in building them in America, it is almost imperative, and it certainly is imperative in the larger ports, that the goods be gotten off the dock within not more than 48 hours after they are discharged from the vessel because of the fact that our water-front facilities to-day have reached the saturation point. What is the result?

A man must know before the goods get there what he is going to do with them. It does not give a merchant any time to consider and make up his mind after the goods are received, because if he has not immediate shipping instructions available he has got to add this double cost to get the goods off the pier within the time required for that purpose and take them to a warehouse; and then if, perchance, within two or three days after that time he has determined upon their disposition to some point in the country by rail, for example, he has the additional cost of taking the goods out of the warehouse and getting them over to the freight station. That is an element that can be avoided by the creation of a free zone, because these goods will be discharged in the free zone right into the warehouse. It will be all a part of one transaction. You will minimize the cost of transportation and you will put the American manufacturer or the American importer and shipper in a position where he will be better able to compete with the representatives of other nations in the regular channels of commerce throughout the world.

Mr. YATES. May I interrupt to ask you a question?

Mr. HULBERT. I shall be very glad to answer.

Mr. YATES. Do other nations which have this contrivance have this difficulty?

Mr. HULBERT. No; not to the extent we have.

Mr. YATES. Great Britain, for instance.

Mr. HULBERT. No, sir. Great Britain, of course, is a free-trade country, and consequently the importer—

Mr. YATES. They have a good many tariffs now.

Mr. HULBERT. Yes, sir. They have more tariffs than they ever had prior to the war, but at the same time, in spite of the enactment of tariff legislation, in Great Britain, there is a tremendous amount of elasticity in the customs regulations and it permits the importer a pretty free hand. For instance, let me give you an illustration. Some time ago, when I was in London, I was taken by a member of the London port authority down to a government warehouse, and I went up on one of the upper floors of that warehouse and here were laid out great exhibition rooms where merchandise that had come into London from all the four corners of the world was on exhibition notwithstanding the fact that it had come in there in bond, and yet they had no customs regulation to go through except to get a permit to take whatever they wanted to out of stock and take it up and put it on exhibition in this room, not one room but many rooms, just like a great commercial museum, and the merchants of London could take their prospective customers from America or from Australia or from any other point of the globe down to this government warehouse and take them up to these exhibition rooms and actually display the samples of the wares that they had for sale either in England or any other place, with the same facility and with greater freedom than they could do in their respective places of business in the city of London. What a great advantage that is, and yet what merchant in America can do that under our customs system to-day? Not one. I cite that in answer to your question, to show the extent to which the British Government has gone to help the British importer and exporter compete with his rivals for the control of world commerce, which has been England's ambition for centuries. They accomplish the result, and I say if America, particularly looking toward the South, the West Indian countries, Central America, and South America, is to have the advantage that her neighborliness ought of itself to give her, she must eliminate a great many of these restrictive measures in order to put the American merchant in a position where he can compete, at least upon an equal footing, with the merchants of Europe, who to-day are in the ascendancy in practically every country in South America.

Another point that I would like to emphasize is this, and I could give many illustrations of it: We purchase merchandise in the Far East and in many other countries of the globe where the producer lacks the facilities and does not, perhaps, understand the necessity for the grading of the merchandise. That merchandise is brought into one of our American ports. Before our merchant can dispose of that merchandise to a more discriminating public in America than we find in many other countries, it is necessary for him to have all of that merchandise graded and classified. What they do to-day, I am informed, is to pay the duty, and then bring the merchandise in and grade it and classify it and then find that they have paid a duty on a very substantial part of it of an inferior quality because at the time they entered it they could not tell what proportionate part of it would come in Grade A and what part would come in Grade B, and so on;

and they had to take it as they found it because the very nature and character of the merchandise required prompt action and they just had to suffer that loss. Now, if you had a free port or a free zone or—the title in the Jones bill—a free foreign-trade zone, or a point of transshipment or whatever you want to call it, when the merchandise arrived it would be taken off the ship and it would be put into one of these warehouses and it would be graded, and after it was graded and classified the merchant would ship it out according to its grade and classification and he would pay the duty based upon the value as determined by that classification.

Mr. CHRISTOPHERSON. This would necessitate, on the part of the Government, erecting these warehouses and building these zones?

Mr. HULBERT. No, sir. As I understand it, it is contemplated that under this bill these warehouses would be constructed by private funds but that they would be operated with customs supervision. They would be, of course, within what I call the stockade. They would be in the corral.

Mr. SWANSON. They would be purchased by the private funds of this corporation?

Mr. HULBERT. I so understand it; yes, sir.

Mr. BROWNING. That is what the billion-dollar authorization is for, I understand.

Mr. SWANSON. And it provides for a billion-dollar debenture issue.

Mr. HULBERT. Where is that?

Mr. BROWNING. Section 2, page 4.

Mr. HULBERT. I confess I am not familiar with that.

I am informed that section 2 has been stricken out and that section 3 is now section 2. I have just been handed a copy of the amended bill.

Mr. EDMONDS. There is nothing in the bill before us that shows section 2 stricken out, Mr. Chairman.

Mr. CHRISTOPHERSON. They handed me an amended copy that I forgot to bring down. I can get that.

Mr. HULBERT. I make that statement for the record, that the bill that has just been handed to me eliminates all of section 2 in the original print and section 3 is now numbered section 2.

Mr. SWANSON. Then, as I understand you, the physical property of warehouses and docks and the land would be owned by this corporation, its funds for that purpose being derived from the sale of stock.

Mr. HULBERT. As I said in the beginning, I did not draft this bill and I am not very familiar with it. I have read it over, and it appears to me that this bill is like any charter that would be made for a corporation except that instead of being a charter under a State it has been changed in its phraseology so that it becomes a charter of the Congress of the United States.

Mr. CHRISTOPHERSON. I may say in this connection that I believe what the committee more particularly want to find out about is the general broad policy and the wisdom of establishing these zones rather than the details of the bill at this time.

Mr. HULBERT. I quite agree that the fundamental thing is, is it consistent with the policy of the Government of the United States to recognize the principle and authorize the creation and the maintenance of free zones.

Mr. EDMONDS. Mr. Chairman, might I interrupt?
Mr. HULBERT. Yes, certainly.

Mr. EDMONDS. I do not think you will find here any opposition to the formation of a foreign-trade zone. I think that you will find that everybody here that I know of is in favor of the formation of a foreign-trade zone, but the opposition will come from the formation proposed in this bill. I would suggest, Mr. Hulbert, if I may—

Mr. HULBERT. Yes, sir.

Mr. EDMONDS. The Shipping Board just finished about a year ago a complete survey of foreign-trade zones. You can get from them a booklet which covers all of that legislation up to the present day, all the proposed legislation, all the action of the Federal Trade Commission, and also a statement of all the foreign-trade zones in the world and the legislation and the manner in which they are conducted. If you will get that book it will give you the whole story of the foreign-trade zones.

Mr. HULBERT. I would like to have the record show that I hand up the documents Mr. Edmonds mentions. I have no doubt at all that other copies are readily obtainable from the Shipping Board.

Mr. CHRISTOPHERSON. Let the record show that there will be presented to the committee a book, Foreign Trade Zones.

Mr. HULBERT. I assume that the proposed corporation will have its own counsel speak to you on the question of the legality of the bill, but may I just call your attention to one or two things so that it will be in the record?

Mr. CHRISTOPHERSON. Yes.

Mr. HULBERT. On page 7, line 13, in the definitions appears the following: The term "zone" means a "foreign-trade zone" as provided in this act. That, I think, meets the provisions of the Jones bill as I recall it.

Mr. EDMONDS. It meets some of them.

Mr. HULBERT. In the second place, as I have said, whether you will decide upon the question of free-trade zones at all or not seems to me to be fundamental, and I am glad to have it indicated that there is not likely to be any objection on the part of anybody to that proposal. Then, necessarily, the next question that arises is: How shall it be done? Shall it be done by the Government? The Tariff Commission recommends against it. Shall it be done by the States or the municipalities in the States where the proposed zone is to be located? I say that that is a financial improbability, in my opinion. If this free zone is going to do any one thing at all it is going to revolutionize the system and manner of handling cargo in American ports. I have had some experience with that. I have visited most of the important foreign ports. I have tried to talk the idea of building docks in America that are comparable to the docks in such ports as Hamburg, but you can not talk that idea into some of our people because they think what was good enough for our grandfathers is good enough for us, and I think we have the most antiquated system of docking facilities in America of any first-class port that I have ever been to.

If you are going to allow the municipalities to proceed in the future as they have been doing in the past and clothe them with the authority to construct these free zones—if you authorize them, well, they will be built on a peanut stand basis. I believe that if there is any

merit in this proposal at all it ought to be sufficiently attractive to private interests to appropriate the necessary amount of capital to do the job on a big, comprehensive, modern, up-to-date system or we ought to leave it alone; and I can see, without having given a great deal of thought to that particular point, the advisability of having it done by a corporation which is organized under an act of Congress, because there is a peculiar agency or relationship that will exist under this bill, if it becomes a law, on the part of the corporation to be created to the Government itself.

The Government is in full power and control with respect to the administration of customs. The Government says to this corporation, according to the terminology of this bill, "We authorize you, subject to such plans as may be submitted and approved by the Secretaries enumerated in the bill, to proceed with the construction of a free port or a free zone or a port of transshipment; and within that particular area, when it is constructed to meet the requirements and has the approval of the Government, all customs restrictions are off." Now, the Government must have, first of all, some reliance in the corporation conforming to the requirements which the Government is obliged to establish, and secondly, there must be some power on the part of the Government to enforce the obligations that any such corporation would assume. Therefore it seems to me that it would be entirely logical and proper that the Government would say, "We propose to charter this as a Federal corporation. We propose to lay down the requirements in this bill for an annual report to the Government of the activities of this corporation in order that we may exercise a proper measure of supervision over it, and we intend to reserve to ourselves the right to repeal the powers that are conferred under this bill if and when it appears to our satisfaction that the corporation created by this legislation has proved false to the trust which the Government has reposed in it."

Now, gentlemen, that summarizes my views upon this subject. If there are any questions that any of the members of the committee desire to ask me, I shall be very pleased to answer them, or if the committee feel that I can be helpful at all in the preparation and submission of a brief I will be glad to do it, because, gentlemen, I have been interested in this free-zone question since back in 1910; and particularly since I introduced the legislation I have referred to in the House in 1916 and 1917, and during my service as dock commissioner in New York, I placed myself in touch with the port authorities of the leading ports throughout the world and I visited those ports and I made a study of this situation. I think that I have done something to inform myself about it, and I am perfectly willing to give this committee the benefit of any information that I have that may be helpful to them in reaching the proper disposition of the matter.

Mr. CHRISTOPHERSON. The committee will be very glad to have your brief on file.

Mr. HULBERT. Thank you.

Mr. CHRISTOPHERSON. Mr. Browning wishes to ask you some questions.

Mr. BROWNING. If the Congress should decide that the policy of establishing these free ports should be inaugurated, and some group of men other than these engaged in the same kind of commerce

should want to establish some for themselves, does this bill mean that the incorporators here have a complete monopoly in the United States and no one else can avail themselves of that privilege?

Mr. HULBERT. I do not read that this bill restricts the Congress from chartering any other corporation.

Mr. BROWNING. But does it give it the privilege of doing that in this bill?

Mr. HULBERT. Congress certainly would have the privilege if they did not preclude themselves by the legislation contained in this bill.

Mr. CHRISTOPHERSON. I presume if this corporation was created, they would have a monopoly unless Congress created another one.

Mr. HULBERT. Certainly.

Mr. CHRISTOPHERSON. But Congress would always have the right to create another corporation if they saw fit.

Mr. BROWNING. The point, to my mind, is, if we are going to adopt the policy, we can make it broad enough for anyone who met the requirements to create a corporation and do business.

Mr. CHRISTOPHERSON. That is a good suggestion and one that will be considered in the details of the bill.

Mr. LANKFORD. May I ask a question?

STATEMENT OF HON. MENALCUS LANKFORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. LANKFORD. I represent the Hampton Roads area, and we are tremendously interested in this proposition.

I want to thank the gentleman for his very clear statement on the subject. There is only one point in that that bothers me and some of the others. Mr. Davis, the National Foreign Trade Association counsel, is interested in the question just asked by Mr. Browning. I would like to ask this gentleman if it would be agreeable to him and his friends in this appeal to simply establish these zones and let any corporation hereafter organized under the acts of Congress take advantage of those zones under proper representations to the proper department, because we feel that this is going to mean a monopoly, although it might be a helpful monopoly in a way. But we want to ask the committee to look into that and probably get some information from these gentlemen if it would not be just as satisfactory to them to establish a zone and let any corporation organized hereafter under acts of Congress take advantage of it.

Mr. BROWNING. Do you think it would be a wise policy to try to designate the zone or to fix conditions by which zones could be designated?

Mr. LANKFORD. I would think of it in this way: The Welch bill says there shall be not more than one zone in each State, I believe, or something of that kind, but let it be done by the Secretary of the Treasury or a group or whoever does it; let them designate on a proper application from a corporation organized under the acts of Congress. That would just be my suggestion.

Mr. CHRISTOPHERSON. I am confident, gentlemen, if Congress should adopt a policy of this kind, it would be safeguarded in such a way that it would not give any one group a monopoly upon this.

Mr. LANKFORD. The reason I make this suggestion is that I am deeply interested in the passage of this measure. I would like to see

it go through the House, but I am afraid this one group are going to raise the same question Mr. Browning raised, and I believe they would have a better chance if it opened up. The question I wanted to ask was, Would that be agreeable to your group? You know the condition in New York.

Mr. HULBERT. I want to answer the question of Congressman Lankford, but first of all I want to say to him I do not know what he refers to as my group, because I do not represent any group. I have been brought into this, as I said, because I was the first member of Congress to introduce any legislation on the subject of free ports in the United States and I have been interested in the subject ever since.

Mr. LANKFORD. I want to thank you for doing it.

Mr. HULBERT. I am not here representing any group, but I have no hesitancy at all in making this response to your question: First of all, I think it would be very ill advised to designate in this bill the location of the respective free zones or ports of transshipment, because I believe that there should not be established at any point a so-called transshipment zone until the commercial necessities of that particular locality demonstrate the need of it and the economic advisability of doing it.

Now, so far as the question of a monopoly is concerned, unless I felt that a provision in this bill for some other group, if there is a group, would thwart the effort to obtain the cooperation of the so-called existing group, I would say put the provision in the bill for all of them right now; but I assume from the fact that this bill bears the names of five or six persons, two of whom, incidentally, I know very well—I happen to know Judge Luce because he sat on the supreme court bench of my State and in my city for a number of years, and I know also Mr. H. H. Atkinson, whose name is mentioned in the bill, because I have had in the past legal matters with him—

Mr. EDMONDS. May I ask a question?

Mr. HULBERT. I want to finish this answer, if I may. I assume that, because those men are named in this bill, they represent somebody who is willing to come forward and provide a sufficient working capital in order to undertake and carry on what the Congress would have in mind if it approved in principle and adopted this measure. Now, if the thing were to be put on a competitive basis, I am frank to say I do not know what the effect of that might be. I do not know whether both of these so-called groups would come in and operate or not. But from my own personal standpoint I say, let the provision be made for any other group, if there is one, that is ready to put up the necessary amount of capital and operate under the terms and the conditions that will be approved by the United States Government through the offices of the Secretaries of the Treasury and of War and of Commerce. Have I answered your question?

Mr. LANKFORD. I do not think you understood my question exactly.

Mr. HULBERT. Will you please clarify it?

Mr. LANKFORD. I have no doubt the gentlemen you mentioned are the highest. Of course I have heard of them. I know of them and I have confidence in them. But what is the objection to having a provision that these zones can be established anywhere a corporation is organized who asks for it? Your corporation could immediately

organize and ask for a zone in New York or Philadelphia or San Francisco—anywhere you wanted it—but any other group, if they thought it was financially desirable, could ask for the same thing and organize another group.

Mr. HULBERT. I thought I answered that. I said I see no objection to providing here that any group might apply for and obtain permission to establish a free zone at any point approved by the United States Government provided they complied with the requirements the same as this group would have to.

Mr. LANKFORD. That is the point I had in mind.

Mr. CHRISTOPHERSON. I think that answers it. Is there anything further?

Mr. LANKFORD. My colleague wanted to ask a question.

Mr. EDMONDS. I would like to take the floor in a minute.

Mr. LANKFORD. All right.

Mr. HULBERT. Do you want to hear the gentlemen in turn? Mr. Mackey would like to address the committee.

MEMORANDUM SUBMITTED BY HON. MURRAY HULBERT, FORMER MEMBER OF CONGRESS AND FORMER COMMISSIONER OF DOCKS AND DIRECTOR OF THE PORT OF THE CITY OF NEW YORK

The bill under consideration seeks to authorize the creation and establishment in the United States of so-called "free zones."

The proposition is neither new nor novel.

Hamburg, Germany, and Copenhagen, Denmark, are outstanding examples of the practicability and commercial value of a freeport, as it is known abroad. Confusion in the minds of protectionists and free traders at home has prompted the use of the terms "free zones" "transshipment ports," and "foreign trade zones" to overcome their prejudice.

The policy of the United States has for years recognized in principle the purposes which the free zone is designed to promote.

Congress has established—

1. The bonded warehouses, where goods intended for reexport may be entered and held free of duty.

2. The bonded manufacturing warehouse, where, without payment of duty, imported goods may be handled, altered, or manufactured solely for export either with or without the admixture of domestic material and parts.

3. The drawback, which is a repayment of 99 per cent of the duties paid on imported goods when they are exported.

But these provisions have become antiquated.

The purpose of the free zone is to aid in the development and extension of the Nation's world-wide commerce by freeing its foreign trade from unnecessary restrictions necessitated by customs duties, thus expediting the handling and movement of merchandise and affording American merchants a better opportunity to meet foreign competition in the markets of the world.

The author of this memorandum, on December 4, 1916, introduced in the Sixty-fourth Congress, second session, a resolution—

"That the Secretary of the Treasury, the Secretary of War, and the Secretary of Commerce, be, and they are hereby directed to report to Congress on or before December 15 next as to the advisability of the establishment of transshipment ports within the limits of the established customs districts of the United States and the Panama Canal Zone."

Congressman Kent of California showed a very sympathetic interest in the foregoing resolution, and when he became a member of the tariff commission, brought about an investigation of the administration of the customs laws under that provision of the act creating the United States Tariff Commission (sec. 702) which declares:

"* * shall be the duty of said commission to investigate the administration * * of the customs laws of this country * * * to investigate the operation of customs laws * * * and to submit reports of its investigations."

Public hearings were had in various cities throughout the country.

Such a report was transmitted by the Tariff Commission under date of October 9, 1919, to, and printed for the use of, the Committee on Ways and Means of the House of Representatives.

That report defines a free zone—

"As an isolated, inclosed, and policed area, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for lading and unlading, for supplying fuel and ship's stores, for storing goods and for reshipping them by land and water; an area within which goods may be landed, stored, mixed, blended, repacked, manufactured, and reshipped (out of the country) without payment of duty and without the intervention of customs officials."

Of course, any goods brought into the country from such isolated and inclosed area would pay the duties provided by the existing tariff.

Upon the hearing before the committee on January 22, 1931, former Congressman George W. Edmunds, manager of the Ocean Traffic Bureau of the port of Philadelphia, stated:

"I do not think you will find here any opposition to the formation of a foreign-trade zone. I think that you will find that everybody here that I know of, is in favor of the formation of a foreign-trade zone but the opposition will come from the formation proposed in this bill."

All those heard at said hearing, both pro and con, were in absolute accord upon the proposition that foreign-trade zones had become a commercial necessity.

Therefore, we shall assume the proposal established to the satisfaction of the committee.

POINT I

HOW IS A FOREIGN TRADE ZONE TO BE OPERATED, AND BY WHOM?

1. The Federal Government?
2. The State in which it is to be located?
3. The municipality, with the consent and approval of the State, in which it is to be located?
4. By a corporation organized under the laws of any one of the several States; or
5. By a corporation organized under Act of Congress?

POINT II

FEDERAL OPERATION

Theoretically this would be preferable.

It was suggested upon said hearing that an agency might be set up by the Government similar to the Shipping Board.

But, has not the Government already determined, as a matter of policy, that the operation and extension of the American merchant marine can be better carried on under private ownership than by Government operation?

Does not the same principle apply with respect to the creation, establishment, construction of facilities and operation of a foreign trade zone?

In its report to the Committee on Ways and Means (supra) the Tariff Commission stated:

"In the judgment of the Tariff Commission it is highly important that the necessary capital should be provided, not by the Federal Government, but by the State or municipality within which the free zone is established.

"The necessity of meeting the cost of construction and equipment from local resources would go far to limit the application for free zone privileges to those ports where there is a prospect that the acquisition of them would be justified by results; while on the other hand, the hope of securing a Government appropriation would attract an application from every handling place on the coast."

For the foregoing reasons (and others which will be stated in a subsequent point) we pass on to—

POINT III

STATE AND MUNICIPAL OPERATION

This is provided for in the bill under consideration. Section 7 reads as follows:

"The secretaries are hereby authorized * * * to grant to public corporations the privilege of establishing, operating and maintaining foreign trade zones in or adjacent to ports of entry under the jurisdiction of the United States."

There are many objections which suggest themselves indicating that neither the State nor municipality can and/or will avail itself of the privilege which this bill confers.

In such a case shall the demand for the establishment of a foreign trade zone in that particular port abate?

Is there any State or municipality which could finance such an undertaking without an amendment to the State Constitution and, in the case of a municipality, without an amendment of its charter and the submission to the people of a proposal for a bond issue?

One can well imagine that if the State of New Jersey, or the city of Newark in that State, desired to establish a foreign trade zone within the territorial limits of the port of New York, and the State of New York and/or the city of New York desired to do likewise, an endless controversy would result as to which side of the Hudson River the foreign trade zone ought to be located.

A comparable situation would exist at the port of Philadelphia where the Delaware River divides the State of Pennsylvania from the State of New Jersey.

Again, suppose the State of New York and/or city of New York were granted a permit to establish a foreign trade zone at New York and similarly a foreign trade zone existed at New Orleans, Los Angeles, San Francisco, or Seattle. What community of interest would there be between the public agencies operating such zones at the points named?

How could the State of New York operate in a copartnership arrangement with Louisiana and California or Washington without a treaty being negotiated and ratified by Congress? Is a foreign trade zone to be national in its scope and character, or localized? And how could they operate outside of the State which, as we shall later point out, is a very necessary adjunct to the power to be vested in a corporation authorized to establish and maintain a foreign trade zone?

Suppose the foreign trade zone at New York were operated by the city, the zone at New Orleans by the State and the zone in California or Washington by a private corporation; how would the competitive, conflicting, interest be reconciled?

POINT IV

AS TO A CORPORATION ORGANIZED UNDER THE LAWS OF ANY ONE OF SEVERAL STATES

It was emphasized on the hearing that people abroad recognize the United States of America rather than its political subdivisions and doubt the power and authority of a corporation organized under any one of the States.

The writer recalls, during his service as commissioner of docks of the city of New York, that he negotiated a lease of water front property with the United States Steel Corporation, and, when it came to the execution of the lease, the proposed lessee requested that the lease be made in the name of the United States Steel Products Co., a corporation which had been organized under the laws of the Dominion of Canada to overcome the difficulty above mentioned.

Many other corporations employ this method.

Moreover, the creation of a foreign trade zone involves the suspension of the operation of certain of the customs laws of the United States and places a very substantial obligation on the permittee who is authorized to establish and maintain a foreign trade zone. It is of the utmost importance that the Federal Government should have that degree of control which will not only insure the observance of the obligation but the ownership, in perpetuity as well of the stock and the management of the permittee by American citizens only, under a penalty so severe that even the threat of its enforcement would be a deterrent and readily enforceable if it did not prove to be such.

Can the Federal Government exercise such control over a corporation organized under the laws of any one of the several States? Certainly not as effectively.

POINT V

CORPORATION ORGANIZED UNDER AN ACT OF CONGRESS

Over the latter corporation the Congress of the United States holds eternally the whip of repeal.

The essence of success of a foreign-trade zone is not alone in its construction and operation but in the development, in connection therewith, of our foreign commerce. This entails the necessity for providing cargoes abroad as well as cargoes at home to insure the use of our merchant marine to its fullest capacity.

So that it is necessary that the permittee of a foreign-trade zone should have the authority to establish stations abroad, not only to provide facilities for distribution of American products, but to buy and assemble merchandise so as to provide return cargoes. A State could not do that; nor a municipality; nor a corporation organized under our State laws in most foreign jurisdictions. There can be no doubt that a corporation organized under an act of the Congress of the United States can do so.

In this connection it is interesting to note that the Jones bill provides:

"All rates and charges for all services or privileges within the zone shall be fair and reasonable."

Who is to determine that?

The Celler bill provides:

"That such rates and charges must be approved by the Secretaries of the Treasury, War, and Commerce which will insure uniform rates throughout the United States."

The Jones bill also places the sole responsibility of locating the zones, and the supervision thereof, upon the Secretary of Commerce.

The Celler bill requires the approval of the three Secretaries above mentioned and, in view of the fact that all river and harbor improvements are under the jurisdiction of the Secretary of War, it seems quite essential to provide that he at least should be charged with the duty of acting upon applications to locate foreign-trade zones as well as the Secretary of Commerce; and, certainly, in the matter of supervision, where the customs duties are suspended, the Secretary of the Treasury is a more important factor than either of the other two.

POINT VI

THE CONGRESS HAS THE POWER TO CREATE A CORPORATION TO AID IN CARRYING OUT FUNCTIONS OF GOVERNMENT

The bill incorporating World Commerce Corporation is stated to be an act "To further the commerce of the United States."

An examination of the bill discloses that the purpose, aims and objects of the corporation are primarily to foster the commerce of the people of the United States.

The right of the Congress to legislate on the subject of foreign and domestic commerce is clearly granted by the Federal Constitution.

No less an authority than the first Chief Justice, John Marshall, writing the opinion for the court in the case of *McCulloch v. Maryland* (4 Wheaton, 316) said:

"The first question made in the cause is, has Congress power to incorporate a bank? It has been truly said that this can scarcely be considered as an open question, entirely unprejudiced by the former proceedings of the nation respecting it. The principle now contested was introduced at a very early period of our history, has been recognized by many successive legislatures, and has been acted upon by the judicial department, in cases of peculiar delicacy, as a law of undoubted obligation. * * *

"The power of creating a corporation, though appertaining to sovereignty, is not like the power of making war or levying taxes, or of regulating commerce, a great substantive and independent power, which can not be implied as incidental to other powers, or used as a means of executing them. * * *

"The power of creating a corporation is never used for its own sake but for the purpose of effecting something else. * * *

"If a corporation may be employed indiscriminately with other means to carry into execution the powers of the Government, no particular reason can be assigned for excluding the use of a bank, if required for its fiscal operations. * * *

"After a most deliberate consideration, it is the unanimous and decided opinion of this court that the act to incorporate the bank of the United States is a law made in pursuance of the Constitution, and is a part of the supreme law of the land."

Representative Celler placed in the record on the hearing a statement prepared by the Librarian of Congress showing that 32 corporations have been organized by act of Congress and 49 charters have been amended. We find that this list is by no means complete. The wonder is not there are so many but so few.

One of the recent decisions of the Supreme Court of the United States holding that a private corporation may be incorporated by an act of Congress is *Luxton v. North River Bridge Co.* (1894) (153 U. S. 526).

In that case the corporation was created by an act of Congress for the purpose of constructing, maintaining, and operating a bridge over the Hudson River connecting the States of New York and New Jersey. In that case the court said: "The validity of the act of Congress incorporating the North River Bridge Co. rests upon principles of the constitutional law, now established beyond dispute.

"The Congress of the United States, being empowered by the Constitution to regulate commerce among the several States, and to pass all laws necessary or proper for carrying into execution any of the powers specifically conferred, may make use of any appropriate means for this end. * * *

"Congress, therefore, may create corporations as appropriate means of executing the powers of Government, as, for instance, a bank for the purpose of carrying on the fiscal operations of the United States, or a railroad corporation for the purpose of promoting commerce among the States."

Respectfully submitted.

MURRAY HULBERT, New York City.

STATEMENT OF EUGENE MACKEY, FRANKLIN, PA.

Mr. MACKEY. I drafted the first charter for this company. I prepared it to be filed and granted under the laws of the State of Delaware. We soon came to the conclusion, after examining the situation from all lines and all angles, that a corporation having the powers and the purposes which this corporation should have could never be operated under a State charter. So that is why we come to this Congress and ask for a charter here, because this business is a national business. It is no local business at all. It is not even a State business. It extends throughout the United States, and for that reason we ask for a national charter.

Now, answering your question, I am one of the incorporating directors. Speaking for myself alone—and I have no doubt that the others will agree with me—I would say that you may insert in this bill a provision that others applying for the same privileges that are here set forth, may have them if Congress sees fit to grant them. We are not asking for an exclusive right. Congress can revoke our charter to-morrow and cut us off, and they may create others—whatever they please. We do not ask for anything exclusive here.

I would like to submit a summary which has been prepared, setting forth a great many things in the bill and the reasons for them.

There is one thing I want to speak of, because notwithstanding the magnificent argument which my friend here has made, there is one thing he did not touch upon and which I consider quite vital to this company, the reasons for a national charter. Suppose a corporation should come to the United States chartered under the State of Oaxaca, Mexico. What would we do with it? What would we recognize? Oaxaca is a little State down in the lower end of Mexico, but if they would come here with a charter granted by the United States of Mexico, they would have far more prestige than they would under a charter granted by Chihuahua or Oaxaca. I do not know this, but I have been told on good authority that if we go over to foreign countries with a charter granted by a State here in the United States, we are not recognized as well as when we proceed in those foreign countries with a charter granted direct by the United States of America. We have greater prestige, we have greater power, we have greater attention, and we are listened to and with far more respect than if we go over there with a charter granted by one of the States of the Union.

Mr. CHRISTOPHERSON. We will insert in the record this summary. I do not see any occasion to put in the names of the incorporators. They are in the bill anyway.

Mr. MACKEY. They are in the bill, and those are some of our colleagues that are going with us.

Mr. CHRISTOPHERSON. Insert the first two pages.

The passage of this bill will create a Federal corporation with the prestige and good will of the United States.

The World Commerce Corporation, as a Federal corporation, can operate directly in all parts of the United States and in all foreign countries.

The corporation can consign shiploads of materials to foreign ports and there dispose of same in such quantities as the markets require and keep the possession and title of same until delivery is made.

The laws of other countries make it a legal impossibility for the World Commerce Corporation to carry out its operations as planned under a State charter.

Federal corporations are subject to the laws of the United States the same as corporations organized under the laws of a State.

The corporation will maintain, at its central office, samples of the various products of the world where buyers and sellers can meet and carry on all kinds of commercial transactions.

The foreign trade zones as provided for in the bill will greatly reduce the cost of handling both exports and imports and will extend the markets for the products of this country by supplying partial cargoes to foreign ships and mixing with foreign materials for export.

The provision whereby the Secretary of the Treasury may issue permits for materials to be sent into this country and manufactured and exported within 12 months without the payment of duty will bring an enormous new business, which will be a great benefit to both industry and labor.

The shipping terminals equipped with warehouses and fuel stations located throughout the world will be distributing centers for the products of this country and supply the ships of the United States with fuel to operate to and from all ports of the world.

The corporation will own foreign properties with large reserves of natural resources which will be assembled at the foreign shipping terminals and supply return cargoes to the ships of this country and constitute a large reserve of the raw materials which this country must obtain from abroad.

The corporation will maintain buying and selling agencies throughout the world.

The corporation will extend commercial credits which will enable the industries of this country to avail themselves of the markets of the world.

The individual operation of a foreign trade zone in this country, with the exception of New York Harbor, would be a great loss—but the operation of a group of foreign trade zones in connection with the foreign shipping terminals and with the raw materials which will be brought back to this country, will equalize the cost of operation and leave a good margin of profit on the entire proposition.

The passage of this bill will not give the corporation a monopoly in establishing, operating and maintaining foreign trade zones, as Congress can grant the same right to any other persons, firms, or municipalities who may apply for the privilege.

The corporation can furnish its outgoing cargoes to the ships of this country and the foreign shipping terminals will supply them with fuel, unloading and distributing facilities, and return cargoes; which will enable the ships to operate on a profitable basis and insure this country the building and maintaining of an adequate mercantile marine which the industries and the safety of the Nation require.

ARGUMENT SUPPORTING BILL

This bill is the result of years of scientific research covering the principal nations of the world. The writer drafted the first charter for a corporation embodying very largely the powers and purposes now set forth in the bill (H. R. 14454) now before this subcommittee. He did so with the intention of filing the same with the secretary of state of Delaware and securing a charter for a corporation under the laws of that State. However, upon completing his draft, he

saw clearly that a corporation, created under the laws of that State, or, in fact, any State of the Union, could not either at home or abroad carry out satisfactorily the objects and purposes (and in the case of some of them not at all) desired by parties interested in the proposed corporation.

What prestige would a corporation chartered under the laws of Arizona or Massachusetts have in business circles in France or Turkey? Most of the people in those two countries have never even heard of the States of Arizona or Massachusetts, and if any of them have they know nothing of their political status, the powers they wield, or what rights and powers they can grant to corporations.

Whereas a corporation which has the right to write after its corporate name the words "incorporated under the laws of the United States of America," or even the magic letters "U. S. A." instantly commands the attention and respect of all citizens of foreign countries with whom it may desire to do business. Contrast the respect given to a Federal corporation chartered under the laws of Great Britain, which is recognized as having a legal right to transact business in all countries of the world, with a corporation chartered under the laws of, say, Utah, which is not recognized in foreign countries as having any legal right to transact business therein and can not do business in any of the sister States in the Union without first registering therein according to the laws thereof.

Furthermore, what right has a State, either directly or through a corporation, the creature of its making, to interfere with, modify, or in the least degree change the tariff laws of this Nation or the rules and regulations that the Congress has enacted to regulate the export or import of articles of merchandise.

A foreign-trade zone is most directly and exclusively within the powers, jurisdiction, and control of Congress. This statement is too clear and true for extended argument, but nevertheless we ask: Under what power reserved to the States may one of them direct that merchandise entering the ports of the United States may be stored in or pass through a foreign-trade zone and enjoy the privileges afforded it under the bill now for consideration (H. R. 14454). There is no such reserved power in the States, for all authority over imports and exports and all imposing of tariff is by the Federal Constitution vested exclusively in the Congress; and even if it be argued (as is sometimes done with regard to other express powers of the National Government under the Federal Constitution) that the States may to a limited extent regulate exports and imports, where Congress has not fully acted, yet, in the matters covered by this bill, Congress has acted and acted fully and has imposed tariffs and regulated imports and exports by Federal statute so elaborately and to such an extent that there is now no part thereof left open and free upon which the States may legislate. A State is wholly impotent to act on any of the matters relating to trade zones covered by the bill now before the subcommittee. The creation of foreign-trade zones and the operation thereof and the changes in the present laws of Congress to make such zones highly efficient and work to the benefit of the citizens of the United States are peculiarly and exclusively within the jurisdiction of Congress. Hence this application for a national charter.

The bill does not create a monopoly in the operation of these zones and, in fact, gives to the State and a municipality with the approval of the State the first right to apply for a zone, and as a further protection of the rights of citizens the bill reserves the right to Congress to amend or change its terms or even repeal the bill in toto and thus strike down the rights of the corporation, the State, or municipality if either of them should attempt to abuse the powers vested in them under this bill. And the people associated with me in this bill are American citizens, most patriotic, and imbued with a desire to create an organization through which a world-wide distribution of the products of this country can be made, and they believe the World Commerce Corporation, if chartered under this bill, will be such an organization; and it has been planned that all the powers and operations of the corporation shall work together as a single unit, and we ask the subcommittee in considering this bill to treat all the powers and operations as working together and constituting a single unit.

On the passage of the bill and the corporation functioning as it is planned, the operations of same will be as follows:

At the head office of the corporation a clearing house for commerce will be maintained where the various products of the world will be on exhibition and facilities furnished for buyers and sellers to inspect the same and meet and carry on commercial transactions pertaining to any part of the world. Foreign trade zones will be located at the outer points to the main shipping lanes leading into the ports of this country and where the water depths will be such that the zones can accommodate ships of the deepest draft. The zones will be con-

nected with railroad terminals serving their respective districts. These zones will not take the place of the shipping terminals now in operation within the various ports, but will be an additional facility for centralizing and storing materials, and each zone will serve the shipping terminals surrounding same and also act as a shipping center whereby the industries throughout the country can consign surplus products and such materials as they are selling for export.

Under the provision of this bill the Secretary of the Treasury may issue a permit for materials to be sent into this country and there manufactured and returned to the zone for export. This provision will enable manufacturers located in the interior part of the country to participate in this new business which will also give increased employment throughout the country. These zones are planned to serve all the industries of the country alike and not merely to build up some local industrial center. The corporation does not propose to and will not serve manufacturers of foreign countries by creating a place to store their products to be dumped on the markets of this country to the detriment of home industries.

Under this bill the cooperation of the Secretary of War, the Secretary of Commerce, and the Secretary of the Treasury insures not only the greatest care possible but the using of the best expert knowledge in the country in establishing a zone.

Another provision of the bill gives to a State or States or a municipality with the approval of the State the first opportunity in filing an application for the establishment of a zone. However, I am convinced that with the exception of one or two of the largest municipalities that no State or other municipality will want to go to the great cost of establishing a zone and incur the additional annual loss in operating the same and in order to get a zone or zones at the point or points where they are needed the corporation itself will have to establish, operate and maintain same.

This bill also provides that the rates which must be charged on all who use the zone shall not only be fair and reasonable but are subject to the approval of the secretaries. This prevents burdensome and exorbitant charges.

The other provisions of the bill are only carrying out the details which may be found necessary:

The corporation will establish shipping terminals abroad equipped with fuel stations and warehouses and so located that they can serve the commerce of all countries. These shipping terminals will act as distributing centers for the commerce of this country. In the vicinity of these foreign terminals, the corporation will own large reserves of natural resources, the products from which will be assembled at the shipping terminals for return cargoes. These products will be of great advantage to this country in the acquisition of the materials which it must obtain from abroad.

The corporation will assemble the various products sent into foreign trade zones into ship load cargoes and bill same out over the ships of this country, which can unload same at foreign terminals, and there the products can be distributed as the markets require and these ships will be supplied with fuel and return cargoes.

These foreign terminals will serve the ships of this country in the same way that the outpost serves the ships of various foreign countries and has enabled foreign ships to operate at a profit while the ships of this country, trying to compete for business, were losing money. With two-way cargoes for ships of this country and the use of the foreign trade zones and shipping terminals the United States mercantile marine will be able to compete with the ships of other countries which will insure the fast building of the merchant marine of this country.

The buying and selling agents which the corporation will maintain and the commercial credits which it will provide the industries of this country in carrying on their foreign business, will result in placing the markets of the entire world at their disposal with the results that the commerce of this country will be stabilized and the unemployment situation permanently solved.

Reference was made to the Welch and Jones bills now before the Congress of the United States and which we understand, are being worked together. We desire to call your attention to the following extracts from the Jones bill (S. 2356):

"The term 'Secretary' means the Secretary of Commerce."

This places the sole responsibility of locating the zones and the supervision of same up to the Secretary of Commerce. The present bill (H. R. 14454) nicely distributes this responsibility on three Secretaries and thereby receives the assistance and advice of two additional competent departments.

"The term 'public corporation' means a State, a legal subdivision thereof or a municipality, or a lawful authorized agency of a State or a municipality."

Under the provision of a subdivision of a State with 50 people could apply for the establishing, operating and maintaining of a zone and could appoint as its lawful authorized agent any corporation that it chooses, even a foreign shipping concern which with we submit is not a desirable end to be reached.

"SEC. 3.¹ * * * *Provided*, That when the privilege shall be requested the collector of customs shall supervise the unloading of foreign merchandise in the zone, cause such merchandise or any portion thereof to be appraised and the duties liquidated thereon. Thereafter it may be stored or manipulated under the supervision and regulations prescribed by the Secretary of the Treasury, and within two years after such unloading such merchandise, whether mixed with domestic merchandise or not, may be sent into custom territory upon the payment of such liquidated duties thereon."

Under this provision manufactured products of foreign countries can be imported in great quantities and stored without payment of taxes in the zone and at given times dumped on the markets of this country to the detriment of the home industries, and there would be no way by which the President under the flexible tariff system could prevent this dumping, as the duty would have already been fixed when the materials were stored in the zone. This provision would also invite strong combination of foreign interests to store and dump their materials below cost in order to cripple and destroy various industries in this country with the object of replacing same with their own materials at higher prices and make up their losses. Under the bill now before the subcommittee (H. R. 14454) none of these undesirable results could occur.

In section 16: "All rates and charges for all service or privileges within the zone shall be fair and reasonable."

This leaves it to the discretion of the grantee of the zone as to what he may charge those who use same; whereas under the Celler bill, such rates and charges must pass the approval of the three Secretaries.

With the passage of the Celler bill the entire country will be served by the foreign-trade zones which will be established and operated and maintained under same, and as these zones are only a part of the operations of the corporations, their cost of establishing and the cost of maintaining and operating same will be charged against the entire earnings of the corporation, and not merely against the zones, and these earnings will be more than ample to carry the entire corporation and pay good dividends beside.

We again request your committee in considering the Celler bill to treat it as an entire and single proposition and as a whole and to also to treat it as far as the foreign-trade zones are concerned, as facilities not intended to serve merely local interests but rather the interests of the entire Nation and intended to increase the export trade of this country, build up an ample United States merchant marine, and also prevent unemployment.

All of which is respectfully submitted.

EUGENE MACKAY.

FRANKLIN, Pa., February 4, 1931.

Mr. CHRISTOPHERSON. Is there any other witness who wishes to be heard in favor of this measure? If not we will be glad to hear you, Mr. Edmonds.

STATEMENT OF GEORGE W. EDMONDS, MANAGER OF THE PORT OF PHILADELPHIA OCEAN TRAFFIC BUREAU

Mr. EDMONDS. The organization I represent is composed of the commercial organizations in Philadelphia together with the shipping interests for the business of building up the port. We have a legislative committee. This committee has given this bill a very careful study. Of course we have got a revised copy.

I was a Member of Congress for 12 years, as you know—

Mr. CHRISTOPHERSON. Yes, sir.

Mr. EDMONDS. And had to do with shipping matters. I know pretty well what I am talking about when I talk about ports and port matters. In the first place I will answer a few questions.

¹Beginning with line 8, page 3.

The Shipping Board has no authority to establish these ports. Secondly, we have a little association in favor of free ports, and this association has been endeavoring to get what is known as the Welch bill, which is before the Ways and Means Committee. That bill gives general authority to any port in the country to establish a free port and contains such restrictions as are necessary for Government supervision.

These bills have been advocated before the Ways and Means Committee as an addition to the tariff bill, this last tariff bill. We were before both the House and the Senate. It is a matter that pertains to customs, and naturally the bill was sent to the Ways and Means Committee.

The objection we find principally to this is that this bill as written creates a monopoly. It gives special privileges that can not be given to anybody else. The Welch bill and the Jones bill—Senator Jones's bill, before the Senate—give everybody an opportunity, every port without discrimination the right to build a free port if they so desire.

Mr. CHRISTOPHERSON. Give to the municipality?

Mr. EDMONDS. It gives it to anybody.

Mr. CHRISTOPHERSON. Anybody?

Mr. EDMONDS. That is, if the municipality does not want to interfere, as will be the case in Philadelphia, probably, with the Hog Island development—we would like to have a free port at Hog Island in Philadelphia—there are individuals who are willing to go in and establish that if the municipality does not.

The congested and crowded condition that Mr. Hulbert pictures does not exist at the other ports. It exists at New York. It is true that very frequently the expense of handling the freight after it arrives at New York is greater than the freight charge on that particular commodity.

Our committee went through this very carefully. In the first place there are a lot of words in the bill. On the fourth page they talk about determining by surveys whether there exists during the ensuing 12 months a surplus. That is all done by the Department of Commerce to-day.

The second section authorizes the issuance of \$1,000,000,000 worth of debenture bonds without Federal or State taxes, these bonds to be issued to the public. They probably will be issued the same as the joint stock land bank bonds were issued—under authority of an act of Congress. You may find yourself in the same position after a while in connection with this company as what you are finding now with the joint stock land banks.

There are peculiar provisions in this bill. For example:

The board of directors shall have the power and authority from time to time, at its pleasure, to modify, amend, or repeal the by-laws whenever it considers it advisable.

At the top of page 5:

The stockholders shall not be liable in any event for any indebtedness or other obligations incurred by the corporation.

I presume if the corporation failed, the stockholders would become common creditors along with everybody else.

The privileges create a monopoly. We have not heard yet exactly, if this corporation is formed and you put in that amendment that you talk about, whether it is going to be possible for us to do anything

but to go to this corporation and buy the privilege of establishing a free port in Philadelphia. We may have to buy it off of them. They may want a controlling interest. You are placing a lot of special privileges in the hands of a corporation.

Mr. Celler states that manufactures are included in the free port. The other gentlemen say not, but I do not know and nobody else knows what the term "or otherwise manipulated" means for the cargo that comes into a free port.

They also state here, "But when foreign merchandise is so sent from a zone into custom territory of the United States affecting imported merchandise." Then they stop. I do not know what happens to that. That cargo sent in has nothing to be done with after that; it is just sent in. Either they ought to have that out of the bill altogether or they ought to say what becomes of the cargo when it is sent into the customs district. As I say, we made a very close analysis and I am bringing this to your attention so if you decide to put out the bill you can look at these particular paragraphs and see where they are.

We are not opposing a free port. We have been down here advocating a free port. You will find all of our people are for a free port, but we do not want a monopoly to control free ports in this country, which is proposed in this bill as written.

Mr. CELLER. What line was that, Mr. Edmonds?

Mr. EDMONDS. Right here, line 12 on page 8. The word "indemnity" on the ninth page ought to be changed to "identity."

Mr. CELLER. We have already changed it.

Mr. EDMONDS. Section 10 says:

The Secretary of the Treasury shall assign to the zone the necessary custom officers and guards to protect the revenue and to provide for the admission of foreign merchandise into custom territory.

At whose expense? The Government's—24 hours a day.
They state at the bottom of page 9:

Vessels leaving a zone and arriving in customs territory of the United States shall be subject to such regulations to protect the revenue as may be prescribed by the Secretary of the Treasury.

We have had, since the passage of this last tariff bill, a question raised, When does that ship enter the United States? Can it go into the foreign zone and leave its goods there and get the low duty?

When it arrives there can it carry the balance of its goods it wants to distribute at once over to the customs district? If the bill goes into effect on the 1st of July and the ship arrives on June 29, where does it arrive? At the trade zone? Is it counted then it has arrived at the United States? Does the new duty go on then? There is nothing said.

Turn to paragraph 17. The Government is to sell, lease, do everything necessary to aid this corporation. To sell or lease without competition? Does that meet your usual regulations? Then it goes on further to say:

And where the title has not been vested in a department of the United States the Secretary of War is hereby authorized to make an agreement with the corporation for the use of such properties.

In other words, they are going to take my property and the Secretary of War is going to tell them what they can do with it if I happen to be next door to them.

Section 18 instructs the Secretary of War to use the right of eminent domain to get properties for this corporation.

Section 21 says all rates shall be fair and reasonable. They talk about this being a quasi Government organization. Nothing of the kind. It is a private organization for gain. Any man can see that. Any man would be a fool to go in if he did not go in for gain. No quasi public about this. There is no supervision except what the departments would naturally have to give under the Jones bill or the Welch bill to the organization—except they put it out here in a lot of words.

The right of eminent domain: The Secretary of War can take anybody's property to help along a private corporation. Fine.

The right of supervision of rates: Who will decide whether they are just and reasonable? The directors.

Section 22: "No persons shall be allowed to reside within the zone." We had great trouble over in the Ways and Means Committee in regard to that. They widen it out—"except Federal, State, or municipal officers." Maybe that is all right. But they go further: "Agents, guards, watchmen, and agents of the corporation." In other words, the workmen can live inside. The high-tariff men objected to the men inside getting cheap living on high wages and the fellows outside not getting the same.

And again in 28: All the Government authorities of every kind—I guess the President himself—are ordered to kowtow to this corporation and do anything they want.

Gentlemen, that covers the ground. We want free ports. We would like to see the Jones or the Welch bill passed. We would like to see the Ways and Means Committee or this committee, somebody, pass a bill of that kind. If you will do that you will not discriminate, and wherever a port feels it is willing to put up the money to try out a free port they will do so.

Mr. CHRISTOPHERSON. Are the Jones and Welch bills pending in Congress?

Mr. EDMONDS. The Welch bill is pending in the Ways and Means Committee and the Jones bill is pending in the Senate. I do not know whether it went before the Commerce Committee, but we had it up before the committee that took care of the tariff.

Mr. CHRISTOPHERSON. Those provide for free zones?

Mr. EDMONDS. They provide for free zones in general. They describe how they are to be handled and who is to live in them and who is not and the general idea of the free zone.

Mr. CHRISTOPHERSON. Then your judgment is that if this bill were enacted in its present form it would give a monopoly to the company?

Mr. EDMONDS. There is no question it would give both a monopoly and special privileges that nobody else could have. There is no question about that at all, and any man who reads the bill can see it. Under this bill, if you passed it, if we wanted a free port to Philadelphia we would have to deal with these people and get the use of those special privileges, and they would say, naturally, "If you were going to get the use of these privileges you would have to give us 50 per cent of your stock"—something of that nature, in order to make sure that they have got a control and can say to the Government "We are handling these special privileges that we got through our corporation."

I would like to answer any questions.

Mr. CHRISTOPHERSON. Are there any questions any of the members would like to ask?

Mr. HULBERT. Mr. Chairman, I would just like to call my former colleague's attention to one thing. He emphasized in the case of page 8, line 13, that the bill provided that "when foreign merchandise is so sent from a zone into custom territory," and then he said that the thing stopped there and did not make any provision what was to happen to it. I just want to call his attention to the fact that in the copy that was handed to me here at this hearing the omission that he speaks of, which apparently was typographical, has been supplied so as to insert there the words "it shall be subject to the laws and regulations of the United States."

I merely mention that because I assume that neither Mr. Edmonds nor I want to have anything indefinite so far as the record is concerned when the facts are here.

Mr. EDMONDS. I knew that was a mistake.

Mr. HULBERT. Here is the correction.

Mr. EDMONDS. I knew it was a mistake, because it did not mean anything. I just want to call attention to the fact that what we had to go on was this that we had in front of us. As far as you are concerned I hope there will be a lot more mistakes in there.

Mr. HULBERT. Not as far as I am concerned, but I just wanted to show you the copy I have has the correction.

Mr. CHRISTOPHERSON. Thank you, Mr. Edmonds, for the information you have given us.

STATEMENT OF O. K. DAVIS, SECRETARY OF THE NATIONAL FOREIGN TRADE COUNCIL

Mr. DAVIS. The National Foreign Trade Council, for whom I appear, is a voluntary organization of business men who represent foreign-trade interests all over the United States and who were organized in 1914 for the purpose of promoting the foreign trade of the United States. It is an entirely disinterested organization, renders no service to its own members, and is occupied only with such efforts as it may make in behalf of the general foreign trade of the United States.

We are put in a peculiar position by this bill. One of the functions of the Foreign Trade Council is to hold an annual national foreign-trade convention, and for the last 15 years this national foreign-trade convention, representing the foreign-trade interests and enterprises of the country, have declared themselves very enthusiastically and emphatically in favor of legislation, permissive legislation, which would permit the establishment and creation of foreign-trade zones at any port where it was desired by local interest to establish such a zone. We understand that there has been difficulty in the matter of securing such legislation growing out of some constitutional provision with which I am not sufficiently familiar to quote it, which prohibits Congress from taking any action which would establish a preference in favor of any particular port. So it is necessary, we believe, to establish permissive legislation of the character which is covered by the bill introduced by Senator Jones in the Senate and by the Welch bill which is now pending before the Ways and Means Committee.

We are most enthusiastically in favor of the establishment of foreign-trade zones as covered by paragraph B of section 1 of this bill. It is the other paragraphs, A, C, D, E, and F, and the other general provisions of the bill which cause us to hesitate and, as a matter of fact, not be able to support this bill as it stands.

With all that Mr. Hulbert said in general with reference to the desirability of foreign-trade zones and the importance of them and the effect that they would have upon our commerce, I am very heartily in accord. I want merely to add one thing by way of illustration. The nation of the world which has the largest foreign trade—that is, the largest trade with other nations, export and import—is Great Britain, and has been right along. The second nation is the United States. The volume by which the total British foreign trade annually exceeds the total United States foreign trade is roughly equal to the volume of the British reexport trade. It is just about the annual amount of the trade that Mr. Hulbert described as the transshipment trade. That is a trade which our traders and our manufacturers are practically excluded from by the difficulties of operating under the present-day bonded-warehouse system.

It is true, roughly, that practically everything sought to be permitted under the proposed foreign-trade zones can now be done under the bonded-warehouse legislation, but it can be done only with difficulty, with delay, and with expense which render the practical doing of it impossible. If we could have legislation that would establish these foreign-trade zones, then it could be done competitively with the reexport trade of other nations.

There is a question here as to the effect of this bill if it should be enacted as it stands, in the form in which we have it, in the establishment or in the creation of a monopoly. As I have read this bill it is not exclusive. It does not in terms provide or confer an exclusive privilege upon the proposed World Commerce Corporation, but in practical effect it establishes a monopoly and nothing else, because here would be the situation: The moment that bill were enacted, if Congress were to pass simultaneously with it and the President were to sign the two bills together—this bill and the Jones bill or the Welch bill—authorizing everybody or anybody who was interested to establish a port, what would happen? If those gentlemen were alert and established their location at once and went to the port of Charleston or to the port of Savannah or the port of Houston or the port of Seattle or whatever other port in the United States they should desire and got in there and established their zone, how would the local interest be able to raise the capital to establish a competitive zone in the same place? The practical effect, therefore, of this bill would be to establish a monopoly.

I do not know that I can add anything more to the proposition. We are very desirous of seeing legislation enacted which will permit the establishment by the local interests as private interests of foreign-trade zones at the ports where such zones would benefit the development of reexport trade of the United States. Thank you very much.

Mr. CHRISTOPHERSON. Is there anyone else who wishes to be heard?

**STATEMENT OF WALTER J. PETERSON, REPRESENTING THE
PACIFIC-AMERICAN STEAMSHIP ASSOCIATION OF THE PACIFIC
COAST**

Mr. PETERSON. In the second session of this Congress there was a bill of similar import introduced, known as H. R. 9635. Our people on the Pacific coast were in opposition to this bill very much along the lines of what former Congressman Edmonds has expressed himself. However, since this other bill, this H. R. 14454, makes some changes in the original bill, our people have not yet had a chance to review that bill; but representing them here I would say at the present time that the Pacific coast interests would be in opposition to the bill that you and I are now hearing.

Mr. CHRISTOPHERSON. Thank you.

STATEMENT OF IVAN E. GOODNER, LOS ANGELES, CALIF.

Mr. GOODNER. For more than a year past I have been chairman of an informal organization known as the National Foreign Trade Zone Council. That is composed of representatives largely of the ports of the United States and of some civic organizations. We have been making a most intensive study of foreign trade zones elsewhere and of the reasons why legislation could not be heretofore enacted authorizing such zones in this country. Those studies are still in progress. People working upon them are public servants, engineers, merchants, public authorities, who are more or less expert in that line; and we feel that it is an attempt at this time by private interests to take advantage of the growing sentiment for foreign trade zones which has, possibly, led to the introduction of this bill.

Last summer I visited the authorities in Seattle, Portland, Tacoma, San Francisco, Los Angeles, New Orleans, and practically all of the eastern ports from Newport News to Norfolk, up to Baltimore, Philadelphia, New York, and Boston, and I find a practical agreement of sentiment that the opening of foreign trade zone privileges should be under a general authorization by the Government giving, if any preference is given, the first right to the locally constituted port authorities. Most of the ports—not all of them—but most of the ports are incorporated with privileges and powers which enable them to raise funds and disburse funds independently of the taxing privileges of the municipality itself. That is particularly true on the Pacific coast. It enables those ports in due time, if the Federal Government gives the authority, to create free trade or free transshipment zones of the character desired, of which the ports themselves and all merchants may take advantage.

Another minor point is this: To a large extent the delays in shipping which have been to-day attributed to solely customs regulation are jointly due to the health inspections, the customs inspections, the prohibition inspections, and various other matters which every ship entering the United States from abroad has to submit itself to in any event. Those things will still be imposed upon a ship regardless of whether that ship is entering a monopoly port, a free port, zone, or whatever you may designate its destination. Those things must apply anyhow under the general laws of the United States.

I have been in touch with the Treasury Department, with the health inspection service, with the Customs Bureau, with all the other bureaus having to do with inspection of arriving or departing

ships, and they tell me without exception that the same difficulties, so-called red tape, will be exerted and must be untied against a ship entering a free-trade zone with the single exception of goods being held up pending sampling and appraisal and the assessment of duties which they now have to do before going into a bonded warehouse. We therefore, on behalf of my association, record a protest at this time of this bill being enacted prior to the Congress itself having formally passed upon either the Jones or the Welch or some similar bill.

Mr. YATES. Do you advocate one of those bills?

Mr. GOODNER. We are advocating at the present time the Jones bill with some very slight, minor modifications.

Mr. CHRISTOPHERSON. Thank you, Mr. Goodner. Does anyone else here wish to be heard on this question?

Mr. HULBERT. I would like to ask if it is not a fact that this bill in substantially this form was introduced in 1922.

Mr. DAVIS. It was.

Mr. HULBERT. That is the one upon which the hearing was had in 1923. When was the first Jones bill introduced?

Mr. GOODNER. It has been coming in various forms a number of years. I do not know the first date. At least eight years.

Mr. HULBERT. That would be about 1923.

Mr. CHRISTOPHERSON. The committee will give this matter further consideration. File your brief, Mr. Hulbert.

If there is nothing further, the committee will stand adjourned.

INCORPORATING DIRECTORS

Robert L. Luce, 11 Pine Street, New York, N. Y., former justice of the Supreme Court of New York City.

Horace B. Rogers, Virginia National Bank Building, Norfolk, Va., president H. B. Rogers (Inc.), warehousing and shipping.

Eugene Mackey, Franklin Trust Building, Franklin, Pa., attorney at law.

Harry H. Atkinson, Reno, Nev., United States attorney, State of Nevada.

Leonard D. Smith, Nashville, Tenn., attorney general, State of Tennessee.

Upon the passage of the World Commerce Corporation bill (H. R. 14454) the following will be elected on its board of directors:

Harry J. Steinbreder, 1239 Delaware Avenue, St. Louis, Mo., president and director, Fulton Iron Works Co. and Fulton Finance Corporation; director, Laclede Steel Co., St. Louis, Mo.; chairman of B. Beechler Steel Products Co.; director, Mancha Storage Battery Locomotive Co., and St. Louis Structural Steel Co.

Theodore R. Dahl, Cleveland, Ohio, chairman of board, White Motors Corporation.

Murray M. Baker, Commercial National Bank Building, Peoria, Ill., president and director, Caterpillar Tractor Co., director, Merchants & Illinois National Bank and Home Savings & State Bank; owner Brook Hill Farms.

Otto H. Falk, Milwaukee, Wis., president and director, Allis Chalmers Manufacturing Co.; vice president and director, the Falk Corporation and the Falk Investment Co.; director, First Wisconsin National Bank, First Wisconsin Trust Co., First Wisconsin Co., Granite City Street Co., Wisconsin Telephone Co., Milwaukee Mechanics Insurance Co., National Enameling & Stamping Co., and Claybourn Process Corporation.

Edwin A. Cudahy, Chicago, Ill., chairman of board Cudahy Packing Co.; director, Continental Illinois Bank & Trust Co., treasurer Red Wing Co. (Inc.).

J. Graham Brown, Louisville, Ky., president and director, W. P. Brown & Sons Lumber Co., Brown Florida Lumber Co., Brown Bros. Land & Lumber Co., Brown Realty Co., Brown Hotel Co., Mobile & Gulf Railroad, Kosciusko & South Eastern Railroad.

(Whereupon, at 4 o'clock p. m., the hearing was concluded.)

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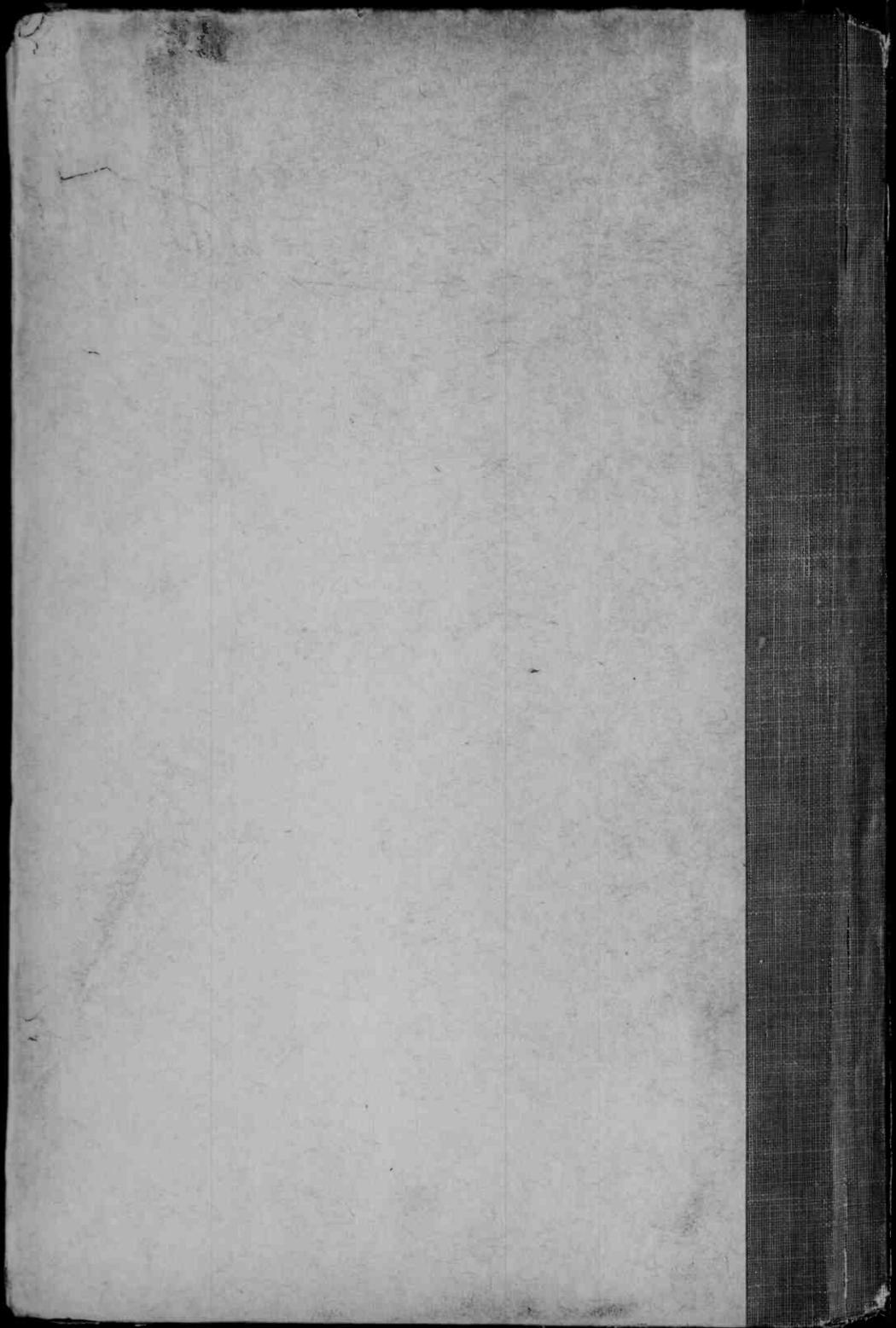


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